2014 Annual Report

E.ON Group Financial Highlights[1]

€ in millions	2014	2013	+/- %
Attributable generating capacity (MW)	58,871	61,090	-4
– thereof renewables (MW)	10,472	10,885	-4
Fully consolidated generating capacity (MW)	60,151	62,809	-4
– thereof renewables (MW)	9,768	10,414	-6
Owned generation (billion kWh)	215.2	245.2	-12
– thereof renewables (billion kWh)	29.3	30.8	-5
Carbon emissions from power and heat production (million metric tons)	95.7	114.3	-16
Specific carbon emissions (million metric tons/MWh)	0.43	0.45	-4
Electricity sales (billion kWh)	735.9	696.9	+6
Gas sales (billion kWh)	1,161.0	1,219.3	-5
Sales	111,556	119,688	-7
EBITDA[2]	8,337	9,191	-9
EBIT[2]	4,664	5,624	-17
Net loss/Net income	-3,130	2,459	–
Net loss/Net income attributable to shareholders of E.ON SE	-3,160	2,091	–
Underlying net income[2]	1,612	2,126	-24
Investments	4,633	7,992	-42
Expenditures on technology and innovation (including software)	30	42	-29
Cash provided by operating activities of continuing operations	6,253	6,260	–
Economic net debt (at year-end)	33,394	32,218	+4
Debt factor[4]	4.0	3.5	+0.5[3]
Equity	26,713	36,638	-27
Total assets	125,690	132,330	-5
ROACE (%)	8.5	9.2	-0.8[5]
Pretax cost of capital (%)	7.4	7.5	-0.1[5]
After-tax cost of capital (%)	5.4	5.5	-0.1[5]
Value added	609	1,031	-41
Employees (at year-end)	58,503	61,327	-5
– Percentage of female employees	28.8	28.6	+0.2[5]
– Percentage of female executives and senior managers	15.8	14.0	+1.8[5]
– Average turnover rate (%)	3.3	3.5	-0.2[5]
– Average age	43	43	–
– TRIF (E.ON employees)	2.0	2.6	-0.6[5]
Earnings per share[6, 7] (€)	-1.64	1.10	–
Equity per share[6, 7] (€)	12.72	17.68	-28
Dividend per share[8] (€)	0.50	0.60	-17
Dividend payout	966	1,145	-16
Market capitalization[7] (€ in billions)	27.4	25.6	+7

[1]Adjusted for discontinued operations.
[2]Adjusted for extraordinary effects (see Glossary).
[3]Change in absolute terms.
[4]Ratio of economic net debt and EBITDA.
[5]Change in percentage points.
[6]Attributable to shareholders of E.ON SE.
[7]Based on shares outstanding.
[8]For the respective financial year; the 2014 figure represents management's dividend proposal.

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CEO Letter

Dear Shareholders,

Last November 30 the E.ON Supervisory Board approved the Board of Management's proposal for a new corporate strategy. This strategy is founded on our assessment that over the past few years two energy worlds have emerged: a conventional and a new energy world. They're not separate. On the contrary, they depend on one another. But they place completely different demands on energy companies. The new energy world is about customer orientation, efficient and increasingly smart grids, renewables, distributed generation, and technical innovations. The conventional energy world, by contrast, requires expertise and cost efficiency in conventional power stations and global energy trading.

We're determined to do our best in both energy worlds by creating two companies that will focus on meeting their respective challenges. The future E.ON will strive to be a leading provider of innovative energy solutions for customers. Alongside it we'll spin off a New Company that will play a leading role in shaping the conventional power and gas businesses. Our company has—to an outstanding degree—the capabilities and market access needed in both worlds.

The new energy world is characterized by speed, agility, digitalization, technical innovations, and increasingly individual customer expectations. This world is just beginning to emerge. It will become more dynamic and diverse than we can imagine today. It will ask a lot of companies and their employees and it will grow rapidly. Going forward, E.ON wants to offer the kind of superior energy products and services that will make us the partner of choice for municipal, public, industrial, commercial, and residential customers. We also intend to operate technologically advanced smart distribution networks that will support grid-enabled energy products that make customers' lives easier. And our success at developing and delivering renewables projects has already given us an advantage over many competitors, an advantage we intend to systematically extend in our target regions in Europe and elsewhere.

But tomorrow's energy world will still need a stable and secure supply as well as access to global markets for commodities and energy products. The New Company will play a key role in ensuring supply security and in providing backup for the transformation of energy systems in Europe. With more than 50 GW of installed capacity, the New Company will be a leading power producer in Europe and Russia and also one of the largest operators of technologically advanced gas-fired power plants. A strong natural gas portfolio—which encompasses the exploration and production business, gas transport pipelines to Europe, long-term gas procurement contracts, and substantial storage capacity in Germany and other countries—will make the New Company one of the biggest players in the natural gas business as well. It's a matter of self-interest for European countries whose economies are based on value-adding industries to ensure that these kinds of structures and assets will continue to be able to serve as a reliable foundation for a modern energy supply system.

Two energy worlds, two companies. What's obvious on closer examination actually surprised a lot of people when we announced it at the end of last year. But it also met with a generally positive response. We were praised for our "bold action" and our "revolutionary new business model." Some see us as pioneers. We intend to live up to this praise. This year we'll make the preparations to spin off the New Company, which, just like the future E.ON, will be publicly listed. The new E.ON will focus entirely on the building blocks of the new energy world: renewables, energy networks, and customer solutions. We'll spin off our conventional generation, global energy trading, and exploration and production businesses to form an independent company with a new name.

This means that starting next year you, our shareholders, will own stock in both the new E.ON and the New Company. We're firmly convinced that each of these two sharply focused companies will have excellent prospects for the future in their respective businesses.

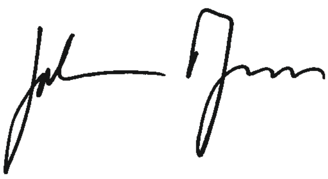
The E.ON Board of Management and Supervisory Board didn't take this decision lightly. Over the course of several months, we held extensive discussions with people inside and outside our company. This resulted in a systematic strategy-design process that drew on experience and suggestions from within E.ON and from outside. In the end, we were convinced that we need to take early, decisive action and that creating one company to focus on the new world of individualized customer solutions and another company to focus on the conventional world of big energy systems is the only way to have prospects of a strong position in both. This new setup will enable both companies to seize their respective strategic opportunities, win over investors, grow, secure jobs, and create value. It will also open up new opportunities for your investment.

While plotting our course for the future we didn't lose sight of our operating business. Despite a difficult environment in many of our markets and despite the sharp drop in oil prices in the second half of the year, we posted generally solid results and were able to achieve our earnings targets. Our EBITDA of roughly €8.3 billion and underlying net income of €1.6 billion were in line with our expectations. In 2014 we made progress in a number of areas from an operational perspective as well, enabling us to lay a good foundation for the future. For example, we continued our positive trend by further increasing our customer base in Germany, where we now have about 60,000 more residential customers than we did a year ago. Moreover, our systematic surveys show that over that past two years our customer satisfaction rate has risen by an average of 22 percent across our markets in Europe. These are important achievements. Because we know that satisfied customers who recommend us to their friends and acquaintances are the foundation of our business.

Our Renewables business continues to grow as well. The first turbines of our two new wind farms in the North Sea, Humber Gateway and Amrumbank West, will start producing electricity in the weeks ahead; by the end of the year, all 500 megawatts will be operational. Two months ago our distributed-energy subsidiary entered the machine-to-machine business by acquiring 25 percent of U.K.-based Intelligent Maintenance Systems Ltd. This gives us exclusive access to a technology that enables primarily business customers to remotely control terminal devices such as air conditioning and lighting units, thereby trimming their energy costs. Data-based energy management will be an important topic for the future E.ON.

The current economic and policy environment presents a challenge we're not ignoring. Significant movements in the rates of some currencies, declining oil prices, and continued low interest rates in Europe are having an adverse impact on some components of our earnings. And no one can say with certainty how long these trends will last. We're also aware that transforming E.ON this year and next year presents us with an enormous task and a lot of work. We're not waiting for better times. We're meeting our challenges head-on. Our clear objective is to ensure that both companies—as well as their employees and you, our shareholders—have good prospects for the future and can take advantage of new opportunities.

Best wishes,



Dr. Johannes Teyssen

Dear Shareholders,

2014 was a groundbreaking year for E.ON. In late November the Supervisory Board unanimously approved E.ON's new corporate strategy. A significant share of the Supervisory Board's work last year revolved around this decision.

E.ON intends to spin off some of its current businesses into a new company. Going forward, E.ON SE will focus on renewables, energy networks, and customer solutions. It intends to combine its conventional generation, global energy trading, and exploration and production businesses into a new, independent company and spin off a majority stake in it to you, our shareholders.

This new setup is part of the new corporate strategy, which was the subject of thorough discussions between the E.ON SE Supervisory Board and the Board of Management. The new strategy is the necessary response to the massive changes taking place in the energy world and dividing it into two worlds: a conventional and a new energy world, to which the Company intends to respond in two separate entities.

In 2014 the energy industry again faced a generally difficult situation in energy markets in Germany and Europe. The causes are structural and regulatory in nature, at the European level and particularly in Germany. Urgently necessary policy measures failed to materialize or were implemented in a way that was insufficient to bring about a direct and lasting improvement of the conditions on the energy market. This once again had a particularly adverse impact on conventional generation, which is vital for ensuring Germany's supply security.

In the 2014 financial year the Supervisory Board again carefully performed all its duties and obligations under law, the Company's Articles of Association, and its own policies and procedures. It thoroughly examined the Company's situation and discussed in depth the consequences of its continually changing energy-policy and economic environment.

We advised the Board of Management regularly about the Company's management and continually monitored the Board of Management's activities, assuring ourselves that the Company's management was legal, purposeful, and orderly. We were closely involved in all business transactions of key importance to the Company and discussed these transactions thoroughly based on the Board of Management's reports. At the Supervisory Board's four regular meetings in the 2014 financial year, we addressed in depth all issues relevant to the Company, including in conjunction with the new corporate strategy. All Supervisory Board members attended all meetings with the exception of one member who was unable to attend one meeting. A table showing attendance by member is on page 78 of this report.

The Board of Management regularly provided us with timely and comprehensive information in both written and oral form. At the meetings of the full Supervisory Board and its committees, we had sufficient opportunity to actively discuss the Board of Management's reports, motions, and proposed resolutions. We voted on such matters when it was required by law, the Company's Articles of Association, or the Supervisory Board's policies and procedures. The Supervisory Board approved the resolutions proposed by the Board of Management after thoroughly examining and discussing them.

Furthermore, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Board of Management throughout the entire financial year. In the case of particularly important issues, the Chairman of the Supervisory Board was kept informed at all times. The Chairman of the Supervisory Board likewise maintained contact with the members of the Supervisory Board outside of board meetings. The Supervisory Board was therefore continually informed about the current operating performance of the major Group companies, significant business transactions, the development of key financial figures, and relevant decisions under consideration.

New Corporate Strategy

Throughout 2014, the Supervisory Board and the Board of Management held outcome-neutral discussions about E.ON SE's new corporate strategy. During these discussions, the Board of Management described, in a coherent and convincing manner, the fundamental ways in which energy markets have changed. These changes include the collapse of legacy energy business areas and the rapid emergence of new technologies and increasingly individual customer expectations. The future energy world and its success factors will be considerably different from the energy world as we have known it until now.

The conventional energy world meets the need for a stable, reliable energy supply. Only conventional assets can secure this energy supply, which is true for both the power and gas supply and presupposes access to international energy markets. Alongside it a new energy world is emerging, one that is characterized by the growth of renewables and distributed-generation technologies and by customers' increasing desire for innovative, individually tailored energy solutions. It also requires smart grids that keep pace with the digitalization of the energy supply.

Both energy worlds will coexist for decades to come. But they call for very different business approaches. Their respective success drivers differ as well. We believe that E.ON's current broad-based business model will no longer be able to address these new challenges. We therefore intend for E.ON's businesses to be divided according to whether they fit with the new or the conventional energy world.

E.ON SE will focus on the new energy world centering around customers. It will have three core businesses: renewables, energy networks, and customer solutions. These businesses fit together and reinforce each other, creating a business portfolio with stable earnings and strong growth potential.

With a portfolio that is to consist of conventional power generation, global energy trading, and exploration and production, the New Company will focus on ensuring supply security, which will be necessary for a long time to come, and access to global markets for energy products. This will put it in an excellent position to lead the necessary restructuring of power generation in Europe and to offer attractive services for the system needs of the future.

In the months ahead, the Board of Management will lay the foundation for the New Company's independence and, subsequently, its public listing. Both E.ON SE and the New Company will have solid financing, offer secure jobs, and have prospects for creating new jobs in the future.

In keeping with E.ON's long tradition of social partnership, management will work closely with employee representatives to work out the details of the new setup and its implementation. The purpose of the new setup is to continue E.ON's current businesses in two companies that are viable for the future, thereby improving the conditions for securing jobs. The spinoff will not be accompanied by a job-cutting program. E.ON's proven tradition of codetermination will continue, including for employees outside Germany.

At this time we anticipate that the spinoff, after being approved by the E.ON Shareholders Meeting, will be implemented in 2016.

Key Topics of the Supervisory Board's Discussions

Besides the above-described discussion of E.ON's new corporate strategy, we addressed the following key topics. We discussed in detail the business situation of E.ON Group companies in relation to developments in national and international energy markets, about which we were continually informed by the Board of Management. The Supervisory Board discussed E.ON SE's and the E.ON Group's current asset, financial, and earnings situation, workforce developments, and earnings opportunities and risks. In addition, we and the Board of Management thoroughly discussed the E.ON Group's medium-term plan for 2015–2017.

Overarching topics of our discussions were:

- current developments in European and German energy policy in the context of the upheavals on global energy markets
- the political situation in Russia and Ukraine and its implications for supply security, as well as macroeconomic developments in Europe
- the development of commodity prices and currencies relevant for E.ON
- the global economy and, in particular, Europe's continued sluggish economy in the wake of the sovereign debt crisis

along with their respective consequences for E.ON's various business areas, including the impairment charges that were necessary in this regard.

The Supervisory Board was provided information on a regular basis about the Company's health, (occupational) safety, and environmental performance, in particular the development of key accident indicators. We thoroughly discussed current developments in the business activities of the global and regional units as well as in Russia and Turkey. At all meetings, the Supervisory Board—as well as the relevant committees—addressed the difficult business situation of ENEVA, E.ON's joint venture in Brazil, and its related activities. In addition, the Board of Management provided us with detailed information about the status of construction projects, including the upgrading of Oskarshamn 2 nuclear power station in Sweden and the progress of several new-build projects, most notably Datteln 4 in Germany, Maasvlakte 3 in the Netherlands, and Berezovskaya 3 in Russia. The Board of Management also reported on a number of legal matters, such as the proceedings relating to the provisions of Germany's Site Selection Act, the damage suit filed against the nuclear energy moratorium imposed in March 2011, and the legal proceedings relating to the nuclear-fuel tax. In addition, the Supervisory Board discussed the current status of the constitutional complaint against the thirteenth amendment of Germany's Atomic Energy Act of 2011 ("Nuclear Phaseout Law"). It also discussed and, where required, approved the divestments in Italy and Spain and transactions under the Company's build-and-sell strategy for renewable assets. In addition, the Board of Management reported on necessary impairment charges. We thoroughly reviewed the status of the E.ON 2.0 program including the establishment of Business Service Centers and the Working Capital Excellence project whose purpose is to reduce working capital. In conjunction with proposed resolutions for the 2014 Annual Shareholders Meeting, the Supervisory Board approved, among other things, the offer of a scrip dividend. Finally, the Board of Management provided information about the scope of E.ON's use of derivative financial instruments and how the regulation of these instruments affects E.ON's business. We also discussed E.ON's rating situation with the Board of Management on a regular basis.

We thoroughly discussed the activity reports submitted by the Supervisory Board's committees.

Corporate Governance

In the 2014 financial year we again had intensive discussions about the implementation of the recommendations of the German Corporate Governance Code.

In the annual declaration of compliance issued at the end of the year, we and the Board of Management declared that E.ON is in full compliance with the recommendations of the "Government Commission German Corporate Governance Code" dated June 24, 2014, published by the Federal Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*). Furthermore, we declared that E.ON was in full compliance with the recommendations of the "Government Commission German Corporate Governance Code" dated May 13, 2013, published by the Federal Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*), since the last annual declaration on December 16, 2013. The current version of the declaration of compliance is in the Corporate Governance Report on page 75; the current as well as earlier versions are continuously available to the public on the Company's webpage at www.eon.com.

The Supervisory Board is aware of no indications of conflicts of interest involving members of the Board of Management or the Supervisory Board.

Furthermore, education and training sessions on selected issues were conducted for Supervisory Board members in 2014.

The targets for the Supervisory Board's composition with regard to Item 5.4.1 of the German Corporate Governance Code and the status of their achievement are described in the Corporate Governance Report on pages 78 and 79.

An overview of Supervisory Board members' attendance at meetings of the Supervisory Board and its committees is on page 78.

Committee Work

To fulfill its duties carefully and efficiently, the Supervisory Board has created the committees described in detail below. Information about the committees' composition and responsibilities is in the Corporate Governance Report on pages 79 and 80. Within the scope permissible by law, the Supervisory Board has transferred to the committees the authority to pass resolutions on certain matters. Committee chairpersons reported the agenda and results of their respective committee's meetings to the full Supervisory Board on a regular basis, typically at the Supervisory Board meeting subsequent to their committee meeting.

The Executive Committee met five times. Attendance was complete at all meetings. In particular, this committee prepared the meetings of the full Supervisory Board. Furthermore, it discussed significant matters relating to Board of Management compensation and did comprehensive preparatory work for the Supervisory Board's resolutions on these matters. In addition, it prepared the Supervisory Board's resolutions to determine that the Board of Management met its targets for 2013 and to set the targets for 2014. It also conducted an interim evaluation of target implementation during the course of the year.

The Finance and Investment Committee met five times. Attendance was complete at all meetings except one, which one member was unable to attend. The matters addressed by the committee included the Board of Management's report on the completion of Skarv E&P project in the North Sea, current developments at E.ON's joint ventures in Turkey and in particular in Brazil, the sale of stakes in two wind farms built by E.ON in the United States, the planned sale of activities in Spain and Italy, and the continuation of the Datteln 4 newbuild project. In particular, at its meetings the committee prepared the Supervisory Board's resolutions or, for matters on which it had the authority, made the decision itself. Furthermore, it discussed the medium-term plan for 2015–2017 and prepared the Supervisory Board's resolutions on this matter.

The Audit and Risk Committee met seven times. Attendance was complete at all meetings except one, which one member was unable to attend. With due attention to the Independent Auditor's Report and in discussions with the independent auditor, the committee devoted particular attention to the 2013 Financial Statements of E.ON SE (prepared in accordance with the German Commercial Code) and the E.ON Group's 2013 Consolidated Financial Statements and the 2014 Interim Reports of E.ON SE (prepared in accordance with International Financial Reporting Standards, or "IFRS"). The committee discussed the recommendation for selecting an independent auditor for the 2014 financial year and assigned the tasks for the auditing services, established the audit priorities, determined the independent auditor's compensation, and verified the auditor's qualifications and independence in line with the recommendations of the German Corporate Governance Code. The committee assured itself that the independent auditor has no conflicts of interest. Topics of particularly detailed discussions included issues relating to accounting, the internal control system, and risk management. In addition, the committee thoroughly discussed the Combined Group Management Report and the proposal for profit appropriation and prepared the relevant recommendations for the Supervisory Board and reported to the Supervisory Board. Furthermore, on a regular basis the committee discussed in detail the progress of significant investment projects. The Audit and Risk Committee also discussed in detail market conditions, the long-term changes in markets, and the resulting consequences for the underlying value of E.ON's activities. It also reviewed the results of impairment tests and the necessary impairment charges. Other focus areas included an examination of E.ON's risk situation, its risk-bearing capacity, and the quality control of its risk-management system. This examination was based on consultations with the independent auditor and, among other things, reports from the Company's risk committee. On the basis of the quarterly regular risk reports, the Audit and Risk Committee noted that no risks were identified that might jeopardize the existence of the Company or individual segments. The committee also discussed the work done by internal audit including the audits conducted in 2014 as well as the audit plan and audit priorities for 2015. Furthermore, the committee discussed the compliance report and E.ON's compliance system, as well as other issues related to auditing. The Board of Management also reported on ongoing proceedings and on legal and regulatory risks for the E.ON Group's business. These included the status of the constitutional complaint filed against Germany's Nuclear Phaseout Law as well as the lawsuits filed against the nuclear-fuel tax and the nuclear moratorium imposed in March 2011, legal proceedings relating to the Site Selection Act, the status of the Federal Court of Justice's review of price-adjustment clauses, and the delays in the upgrading of Oskarshamn 2 nuclear power station in Sweden. The committee regularly dealt with the development of the Company's rating and its current status. Other topics included current developments at E.ON's joint ventures in Turkey and Brazil (in the case of the latter, in conjunction with impairment charges), the Company's tax situation, reportable incidents at the E.ON Group, and insurance issues.

The Nomination Committee did not meet in 2014 because no elections of shareholder representatives to the E.ON SE Supervisory Board were pending.

Examination and Approval of the Financial Statements, Approval of the Consolidated Financial Statements, Proposal for Profit Appropriation for the Year Ended December 31, 2014

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Düsseldorf, the independent auditor chosen by the Annual Shareholders Meeting and appointed by the Supervisory Board, audited and submitted an unqualified opinion on the Financial Statements of E.ON SE and the Combined Group Management Report for the year ended December 31, 2014. The Consolidated Financial Statements prepared in accordance with IFRS exempt E.ON SE from the requirement to publish Consolidated Financial Statements in accordance with German law.

Furthermore, the auditor examined E.ON SE's early-warning system regarding risks. This examination revealed that the Board of Management has taken appropriate measures to meet the requirements of risk monitoring and that the early-warning system regarding risks is fulfilling its tasks.

At the Supervisory Board's meeting on March 10, 2015, we thoroughly discussed—in the presence of the independent auditor and with knowledge of, and reference to, the Independent Auditor's Report and the results of the preliminary review by the Audit and Risk Committee—E.ON SE's Financial Statements, Consolidated Financial Statements, Combined Group Management Report, and the Board of Management's proposal for profit appropriation. The independent auditor was available for supplementary questions and answers. After concluding our own examination we determined that there are no objections to the findings. We therefore acknowledged and approved the Independent Auditor's Report.

We approved the Financial Statements of E.ON SE prepared by the Board of Management and the Consolidated Financial Statements. The Financial Statements are thus adopted. We agree with the Combined Group Management Report and, in particular, with its statements concerning the Company's future development.

We examined the Board of Management's proposal for profit appropriation, which includes a cash dividend of €0.50 per ordinary share, also taking into consideration the Company's liquidity and its finance and investment plans. The proposal is in the Company's interest with due consideration for the shareholders' interests. After examining and weighing all arguments, we agree with the Board of Management's proposal for profit appropriation.

Personnel Changes on the Supervisory Board and Its Committees

Willem Vis ended his service on the E.ON SE Supervisory Board on June 30, 2014. We would like to thank Mr. Vis for his steadfast dedication to the interests of the Company as well as its employees and wish him all the best for the future. Mr. Vis's successor is Clive Broutta. The Supervisory Board elected Eugen-Gheorghe Luha to succeed Mr. Vis on the Finance and Investment Committee.

In addition, Klaus-Dieter Raschke, long-serving member of the E.ON SE Supervisory Board, stepped down effective December 31, 2014. We would like to thank Mr. Raschke, who had been a member of the E.ON SE Supervisory Board since 2002, for his many years of outstanding work on the Supervisory Board and its committees and wish him all the best for the future. He was exemplary in his tireless efforts to align the interests of the Company and its employees. Mr. Raschke's successor on the Supervisory Board is Thies Hansen. Fred Schulz was elected to succeed Mr. Raschke on the Audit and Risk Committee. Due to Mr. Raschke's departure, the members of the Audit and Risk Committee elected Eberhard Schomburg to serve as Deputy Chairman of the committee effective January 1, 2015. Mr. Schulz stepped down from the Finance and Investment Committee; the Supervisory Board elected Thies Hansen to succeed him effective January 1, 2015. In March 2014 this committee had elected Mr. Schulz to serve as its Deputy Chairman; Mr. Hansen succeeded him in this position as well.

The Supervisory Board wishes to thank the Board of Management, the Works Councils, and all the employees of the E.ON Group for their dedication and hard work in the 2014 financial year.

Düsseldorf, March 10, 2015
The Supervisory Board

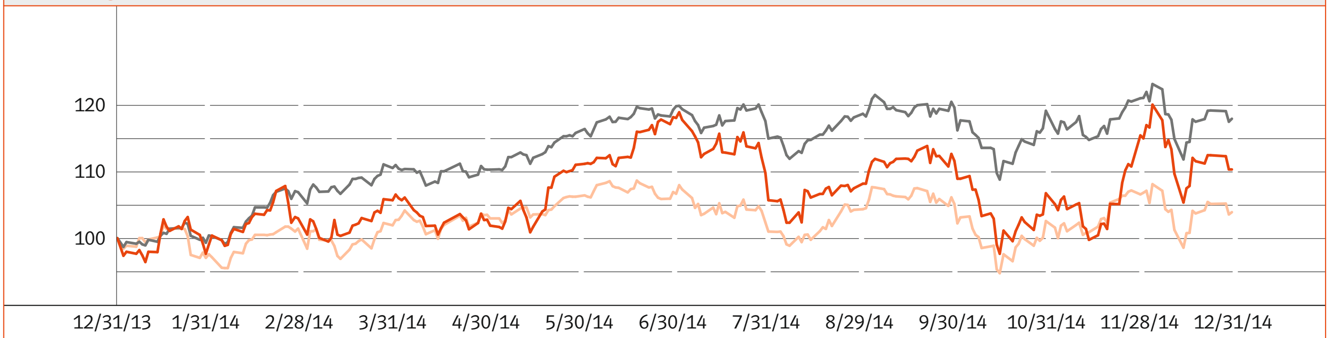
Best wishes,

Werner Wenning
Chairman

E.ON Stock in 2014

At the end of 2014 E.ON stock (including reinvested dividends) was 10 percent above its year-end closing price for 2013, thereby underperforming the STOXX Utilities (+18 percent over the same time period) but outperforming the EURO STOXX 50 index (+4 percent).

E.ON Stock Performance (Factoring in Reinvested Dividends)



[1]Based on the performance index.

E.ON Stock Key Figures

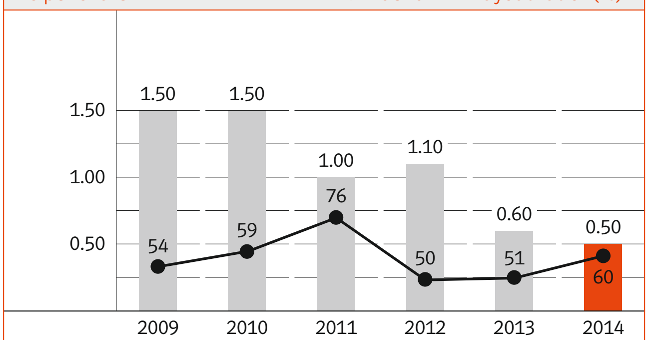
Per share (€)	2014	2013
Net income attributable to the shareholders of E.ON SE	-1.64	1.10
Earnings from underlying net income[1]	0.84	1.11
Dividend[2]	0.50	0.60
Dividend payout (€ in millions)	966	1,145
Twelve-month high[3]	15.46	14.71
Twelve-month low[3]	12.56	11.94
Year-end closing price[3]	14.20	13.42
Number of shares outstanding (in millions)	1,933	1,907
Market capitalization[4] (€ in billions)	27.4	25.6
E.ON stock trading volume[5] (€ in billions)	31.4	36.8

[1]Adjusted for discontinued operations.
[2]For the respective financial year; the 2014 figure is management's proposed dividend.
[3]Xetra.
[4]Based on ordinary shares outstanding.
[5]On all German stock exchanges, including Xetra.

Dividend

At the 2015 Annual Shareholders Meeting, management will propose a cash dividend of €0.50 per share for the 2014 financial year (prior year: €0.60). Furthermore, shareholders will be offered the option to exchange the cash dividend partially into E.ON SE shares (currently held as treasury shares). The payout ratio (as a percentage of underlying net income) would be 60 percent compared with a ratio of 51 percent in the prior year. Based on E.ON stock's year-end 2014 closing price, the dividend yield is 3.5 percent.

Dividend per Share

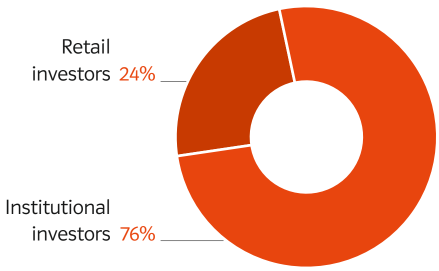


[1]Payout ratio not adjusted for discontinued operations.

Shareholder Structure

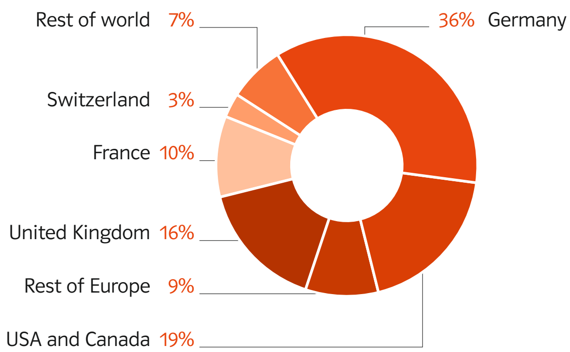
Our most recent survey shows that we have roughly 76 percent institutional investors and 24 percent retail investors. Investors in Germany hold about 36 percent of our stock, those outside Germany about 64 percent.

Shareholder Structure by Group[1]



[1]Percentages based on total investors identified (excluding treasury shares).
Sources: share register and Ipreo (as of December 31, 2014).

Shareholder Structure by Country/Region[1]



[1]Percentages based on total investors identified (excluding treasury shares).
Sources: share register and Ipreo (as of December 31, 2014).

Investor Relations

Our investor relations continue to be founded on four principles: openness, continuity, credibility, and equal treatment of all investors. Our mission is to provide prompt, precise, and relevant information at our periodic conferences, at road shows, at eon.com, and when we meet personally with investors.

Overall, we therefore further expanded the dialog with our analysts and investors in 2014. Continually communicating with them and strengthening our relationships with them are essential for good investor relations.

We used the forum of E.ON's quarterly reporting to provide the greatest-possible transparency on the developments at our business units. We also held special information events focusing on specific businesses. In January senior managers from Sweden and Germany provided the capital market with detailed information about our distribution network business. In March several members of the E.ON Board of Management gave presentations and answered investors' and analysts' questions about operational, strategic, and policy developments at a number of our businesses.

In December we held a teleconference and a number of road shows to present E.ON's new corporate strategy to analysts and investors. The response has generally been very positive, suggesting that our new strategy is seen as the right response to the changing energy landscape.

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Strategy and Objectives

Our Strategy: "Empowering customers. Shaping markets."

At the end of 2014 E.ON adopted a new strategy called "Empowering customers. Shaping markets." It represents E.ON's systematic response to the far-reaching changes in energy markets. By seizing the initiative, E.ON can—for the benefit of our customers, employees, business partners, shareholders, and society in general—take advantage of the significant opportunities created by the emergence of new energy worlds.

Two Energy Worlds, Each with a Variety of Opportunities

Renewables like wind and solar have achieved a cost level that is competitive relative to that of conventional generation technologies. In conjunction with batteries and other energy storage systems, renewables represent a viable alternative energy supply for more and more customers. At the same time, customers' expectations and roles are evolving in substantial ways. Customers no longer see themselves exclusively as the recipients of power, gas, and heat service. They are taking greater interest in the source and sustainability of their energy supply. And many are already active as self-generators and energy-efficiency managers. Alongside changing customer needs, policy and regulatory decisions of recent years have also placed an increasing emphasis on renewables, distributed generation, and energy efficiency. As a result of these developments, the traditional energy value chain is fragmenting into an increasing number of discrete market segments. This creates opportunities for new specialized market entrants and makes competition even keener. The new energy world—encompassing sustainable solutions, autonomous and proactive customers, renewables, distributed energy, energy efficiency, and local energy systems—offers considerable growth potential. It will experience more dynamic growth and will play an increasingly significant role in many countries. Nevertheless, the conventional energy world will continue to exist and to offer well-positioned companies attractive opportunities. For example, because conventional generating capacity will remain indispensible for ensuring a reliable power supply, European markets will need to establish mechanisms that provide appropriate compensation for maintaining this capacity. Companies capable of actively shaping the inevitable consolidation of Europe's generation market will be able to strengthen their market position and gain clear competitive advantages. Globally, energy demand continues to rise, creating opportunities for energy trading and possibly fueling a recovery of wholesale energy prices. Both energy worlds offer abundant market and growth opportunities. But they differ considerably in terms of value drivers, processes, risks, capital costs, investor expectations, and success factors.

Two Specialized Companies, Each Starting from a Very Good Position

In response to a fundamentally altered market environment, we intend to divide E.ON into two distinctly focused and financially strong publicly listed companies. The future E.ON will focus on the new energy world and become an energy-solutions provider. We intend to transfer our conventional upstream and midstream businesses to a New Company, which will focus on the conventional energy world. Initially, E.ON will retain a minority stake in the New Company.

We are convinced that separating in two smaller, more dynamic companies will strengthen the competitive position of all current E.ON businesses. Both companies will be able to take a more focused approach to managing their businesses, which will pave the way to greater profitability and more dynamic growth and create attractive opportunities for employees and external stakeholders. They will be better able to differentiate their business operations according to customers, technologies, risks, and markets and to take a more focused approach to developing the necessary capabilities and processes. Each of the two companies will be able to develop a consistent corporate culture and establish a clear brand positioning. In addition, we expect that both companies will have more specific capital costs and an adequate valuation and thus improved access to capital markets.

The Future E.ON's Strategy

The future E.ON's strategy is a response to three fundamental market trends and corresponding growth businesses: the global demand for renewables (particularly wind and solar), the evolution of distribution networks into a platform for distributed-energy solutions, and customers' changing needs. The future E.ON will aim to add value in all of these businesses by delivering an outstanding performance in key areas such as continual innovation, an unambiguous commitment to sustainability, and a strong brand. It will also deepen its relationships with customers, business partners, and other key stakeholders.

Objectives and Core Businesses

E.ON aims to become the partner of choice for energy and customer solutions. It intends to deliver on this commitment by meeting ambitious targets for sustainability, customer loyalty, and innovative solutions. E.ON's clear focus on three strong core businesses will enable it to offer energy solutions on the generation and demand side:

- Renewables: E.ON has a growing international renewables business in attractive target regions (Europe, the United States, other markets) based on customer-relevant technologies (onshore and offshore wind, PV) for network companies, energy suppliers, large customers, and wholesale markets. E.ON's industry-leading capabilities in project development and execution and in operational excellence already give it a tangible competitive advantage in this business.

- Energy networks: Energy networks link our customers together and are the hub for grid digitalization. E.ON is developing smart solutions that make customers' daily lives simpler and more convenient. A large majority of renewable-source electricity is fed into the distribution network. In Germany, one third of distributed generating capacity subsidized by the Renewable Energy Law is connected to our networks. Distribution networks are what makes the transformation of the energy system possible. E.ON is already a leader in network efficiency and will continue to set new standards in the future.

- Customer solutions: E.ON will develop superior offerings for the physical and digital new energy world and market them to municipal, public, commercial, and residential customers. We aim to become customers' partner of choice by delivering high-quality service and by continually improving or redefining our portfolio of products and services in response to customers' demand for energy efficiency and distributed generation.

Although each of these core businesses is independent and has its own business logic, combining them in a single company offers significant advantages. It will enable E.ON to acquire and leverage a comprehensive understanding of the transformation of the energy system and the interplay between the individual submarkets in regional and local energy supply systems. These businesses will be able to work together to design customer-oriented offerings and package solutions for the new energy world (such as sustainable solutions for cities), to conduct stakeholder management, and to position the brand more effectively.

Resources and Capabilities

A focused setup and systematic approach will enable E.ON to retain its existing strengths and advantages and build on them. Examples include our success story at developing and building an international renewables portfolio consisting of 4.5 GW of operational capacity and an attractive development pipeline, our outstanding record of managing a total of roughly 1 million kilometers of distribution networks, and our direct access to 33 million customers in key European markets and in Turkey.

Alongside its existing capabilities and resources, E.ON will develop and refine the necessary expertise for the key success factors in its businesses. In particular, it will cultivate a strong customer orientation, develop and implement new downstream business models and products, and leverage the digital transformation. The successful implementation of the future strategy will also depend on partnerships with providers of technology and business models.

Significance for Employees and Stakeholders

The future E.ON will offer attractive opportunities to current and future employees by creating jobs and career opportunities in growth markets and by setting clear objectives. It will offer investors attractive dividends with good growth prospects, highly predictable earnings, and a solid balance sheet.

The New Company's Strategy

The conventional energy world is based on proven, centralized, commodity-oriented technologies that ensure supply security, on cost competition, and on global trading. Value is created through the strategic positioning of generation assets, through a technology and fuel strategy that delivers cost leadership, through superior capabilities in operations, engineering, optimization, and trading, and through efficient capital allocation.

Spinning off the current E.ON's conventional upstream and midstream businesses into a new, independent company will enable these businesses to realize their full potential. The New Company has proven strengths and a team of highly qualified employees. It will be able to leverage existing, proven synergies between generation, trading, and the midstream gas business and serve as a unique platform for the consolidation of Europe's generation market. It will ensure the safe decommissioning of nuclear power stations and provide competitive services to third parties.

Objectives and Core Businesses

The New Company's main strategic objective is to successfully position itself in the changing conventional energy world and to help shape this change:

- Conventional power generation: The New Company will be a leading owner and operator of conventional power plants that make an important contribution to supply security in Europe, Russia, and elsewhere. It will have proven capabilities and serve as a unique platform for the consolidation of Europe's generation market.

- Global energy trading: This business will conduct optimization and risk management for the New Company's assets and serve as a global coal, freight, and LNG trading platform. It also has long-term gas procurement contracts and a gas trading business.

- Exploration and production: The New Company has valuable stakes in oil and gas fields. We are conducting a strategic review of our E&P business in the North Sea.

Resources and Capabilities
Current changes in Europe's generation market are creating opportunities to help shape the market's future and benefit from the transformation. The New Company is well positioned to make a very important contribution to supply security and to drive the consolidation process:

- Geographic presence: positions in key European generation markets and in Russia

- Technological breadth: operations and experience across all relevant technologies

- Market access: proven trading and optimization platform in the main EU trading centers and global commodity markets as well as a significant position in the midstream gas business

- Capabilities: demonstrated skills in operating and managing generation assets and coordinating generation fleets

- System knowledge and experience with regulators: deep knowledge of regulatory regimes and market designs in Europe.

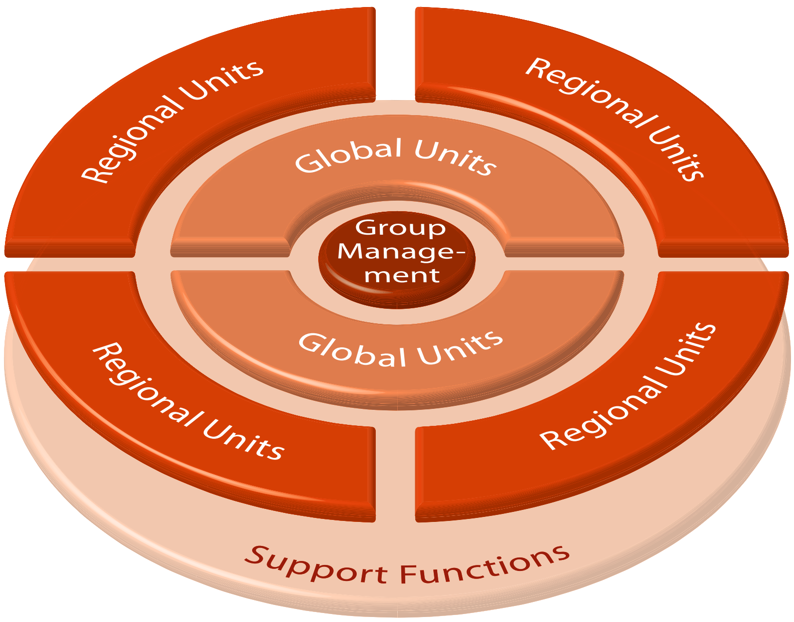
Significance for Employees and Stakeholders
The New Company will aim to be a cost and capability leader, to shape the transformation of Europe's conventional generation market, and to be attractive to its customers and investors. From today's perspective, its solid financing ought to ensure that it has an investment-grade rating. Its positive cash flow ought to enable it to pay attractive dividends. The New Company will be attractive to employees because it will offer jobs and career opportunities in a company that will lead the restructuring of its markets.

Transformation Process
We expect to put the future setup in place in 2015 and 2016 in two phases. The groundwork for the transaction will be laid in 2015 through legal restructuring, the selection of the two companies' leadership teams, financial and operational preparations, and consultations with employee representatives and other key stakeholders. We expect that the Shareholders Meeting will decide on the spinoff in 2016. Shareholders, employees, and other stakeholders will receive timely information about important milestones in the transformation process. M&A processes currently under way will continue during the transformation. In addition, we are conducting a strategic review of our E&P business in the North Sea.

Finance Strategy
The section of the Combined Group Management Report entitled Financial Situation contains explanatory information about our finance strategy.

People Strategy
The section of the Combined Group Management Report entitled Employees contains explanatory information about our people strategy.

- → EBITDA and underlying net income in line with expectations
- → Operating cash flow at prior-year level
- → Management to propose dividend of €0.50 per share
- → 2015 EBITDA expected to be between €7 and €7.6 billion



Corporate Profile in 2014

Business Model

E.ON is a major investor-owned energy company. Our organizational setup clearly delineates the roles and responsibilities of all Group companies. Our operations are segmented into global units and regional units.

E.ON SE in Düsseldorf serves as Group Management. It oversees and coordinates the operations of the entire Group. We see ourselves as a global specialized provider of energy solutions. Four global units are responsible for Generation, Renewables, Global Commodities, and Exploration & Production. Nine regional units manage our operating business in Europe. Russia is another unit, and we also have operations in Brazil and Turkey. Support functions like IT, procurement, and business processes are organized functionally.

Group Management

The main task of Group Management in Düsseldorf is to lead the entire E.ON Group by overseeing and coordinating its operating business. This includes charting E.ON's strategic course, defining its financial policy and initiatives, managing business issues that transcend individual markets, managing risk, continually optimizing E.ON's business portfolio, and conducting stakeholder management.

IT, procurement, human resources, insurance, consulting, and business processes provide valuable support for our core businesses wherever we operate around the world. These entities and/or departments are organized by function so that we pool professional expertise across our organization and leverage synergies.

Changes in Our Reporting

Effective January 1, 2014, the Generation global unit includes our biomass operations, which were formerly part of the Renewables unit. We also transferred some operations that had been part of the Germany regional unit to E.ON Connecting Energies. Furthermore, the initial application of IFRS 10 and 11 resulted in effects which are described in Note 2 to the Consolidated Financial Statements. We adjusted the prior-year figures accordingly.

In view of the negotiations to sell our Italy and Spain regional units, we applied IFRS 5 and reclassified these units as assets held for sale from the fourth quarter of 2014 until their derecognition. We therefore adjusted our 2014 and 2013 numbers, including energy-related numbers, to exclude these two units and no longer provide commentary on their business performance. By contrast, our generation operations in Italy and Spain are still included in our 2014 reporting.

Global Units

Four of our global units are reportable segments: Generation, Renewables, Global Commodities, and Exploration & Production.

Another global unit called Technology, which is based at Group Management, brings together comprehensive project-development, project-delivery, and engineering expertise to support the construction of new assets and the operation of existing assets across the Group. This unit also coordinates our Group-wide research and development projects for the E.ON Innovation Centers.

Generation

Our generation fleet is one of the biggest and most efficient in Europe. We have major asset positions in Germany, the United Kingdom, Sweden, Italy, Spain, France, and the Benelux countries, giving us one of the broadest geographic footprints among European power producers. We also have one of the most balanced fuel mixes in our industry.

The Generation global unit consists of all our conventional (fossil, biomass, and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries.

Renewables

Our Renewables global unit is helping to drive renewables growth in many countries across Europe and the world. Renewables are good for the environment and have great potential as a business, which is why we are steadily increasing renewables' share of our generation portfolio and aim to play a leading role in this growing market. We continually seek out new solutions and technologies that will make the energy supply more environmentally friendly. We therefore make significant investments in renewables.

Global Commodities

As the link between E.ON and the world's wholesale energy markets, our Global Commodities unit buys and sells electricity, natural gas, liquefied natural gas, oil, coal, freight, and carbon allowances. It also manages and develops assets and contracts at several phases of the gas value chain, such as pipelines, long-term supply contracts, and storage facilities.

Exploration & Production

Our Exploration & Production segment is active in the following focus regions: the U.K. and Norwegian North Sea and Russia.

Regional Units

Nine regional units manage our operating business in Europe. They are responsible for sales, regional energy networks, and distributed generation. They are also close partners of the global units operating in their respective region, for which they provide a broad range of important functions, such as HR management and accounting. In addition, they are the sole point of contact for all stakeholders, including policymakers, government agencies, trade associations, and the media.

We operate in the following regions: Germany, the United Kingdom, Sweden, France, Benelux, Hungary, Czechia, Slovakia, and Romania.

In addition, we intend to selectively expand our distributed-energy business. The E.ON Connecting Energies business unit focuses on providing customers with comprehensive distributed-energy solutions. We report this unit under Other EU Countries.

Russia is a special-focus country, where our business centers on power generation. This business is not integrated into the Generation global unit because of its geographic location and because Russia's power system is not part of Europe's integrated grid.

Through a subsidiary called E.ON International Energy, we work with local partners to operate renewable and conventional generating capacity and distribution network and sales businesses outside Europe. We report our power generation business in Russia and our activities in Brazil and Turkey under Non-EU Countries.

Management System

Our corporate strategy aims to deliver sustainable growth in shareholder value. We have put in place a Group-wide planning and controlling system to assist us in planning and managing E.ON as a whole and our individual businesses with an eye to increasing their value. This system ensures that our financial resources are allocated efficiently. We strive to enhance our sustainability performance efficiently and effectively as well. We have high expectations for our sustainability performance. We embed these expectations progressively more deeply into our organization—across all of our businesses, entities, and processes and along the entire value chain—by means of binding company policies and minimum standards.

Our key figures for managing our operating business and assessing our financial situation are EBITDA, underlying net income, cash-effective investments, and debt factor.

Our key figure for purposes of internal management control and as an indicator of our business units' long-term earnings power is earnings before interest, taxes, depreciation, and amortization ("EBITDA"), which we adjust to exclude certain extraordinary items. These items include net book gains, restructuring expenditures, impairment charges, and non-operating earnings (which include, among other items, the marking to market of derivatives). Consequently, EBITDA is unaffected by investment and depreciation cycles and also provides an indication of our cash-effective earnings (see the commentary on pages 35 to 38 of the Combined Group Management Report and in Note 33 of the Consolidated Financial Statements).

E.ON presents its financial condition using, among other key figures, debt factor. A key objective of our finance strategy is for E.ON to have an efficient capital structure. Our debt factor is equal to our economic net debt divided by our EBITDA (for more information, see the section entitled Finance Strategy on page 41). We actively manage our capital structure. If our debt factor is significantly above our target, we need to maintain strict investment discipline. We might also take additional countermeasures.

Alongside our main financial management key figures, this Combined Group Management Report includes other financial and non-financial key performance indicators ("KPIs") to highlight aspects of our business performance and our sustainability performance vis-à-vis all our stakeholders: our employees, customers, shareholders, bond investors, and the countries in which we operate. Operating cash flow, return on average capital employed ("ROACE"), and value added are examples of our other financial KPIs. Among the KPIs of our sustainability performance are our carbon emissions, carbon intensity, and TRIF (which measures work-related injuries and illnesses). The sections entitled Corporate Sustainability and Employees contain explanatory information about these KPIs. However, these KPIs are not the focus of the ongoing management of our businesses.

Technology and Innovation

Despite a difficult business environment, we maintained our technology and innovation ("T&I") activities at a high level of intensity in 2014, while focusing increasingly on new offerings for end-customers and on innovative partnerships. About 250 E.ON employees were directly involved in research and development projects in 2014.

The megatrend of digitalization along with dynamically changing energy markets are fundamentally transforming the energy supply landscape. E.ON customers and other stakeholders increasingly expect digital communications, products, and services. Each step of this transformation creates new challenges but also new opportunities. For E.ON to help the transformation succeed, we need innovative technologies and solutions. In 2014 E.ON Innovation Centers and one Incubator, which were embedded in our existing businesses and steered by the T&I department at Group Management, coordinated activities in their respective technology area across our company:

- Retail and end-customer solutions: develop new business models for distributed-energy supply, energy efficiency, and mobility
- Renewables generation: increase the cost-effectiveness of existing wind, solar, and hydro assets and study new renewables technologies
- Infrastructure and distribution: develop energy-storage and energy-distribution solutions for an increasingly decentralized and volatile generation system
- Energy intelligence and energy systems: study potentially fundamental changes to energy systems and the role of data in the new energy world
- Conventional generation: improve our existing generation fleet and optimize future investments
- Incubator: conduct trials of cutting-edge, typically pre-market products under real-life conditions with a small group of customers.

Strategic Co-Investments

We support our effort to develop customer-centric and innovative technologies and business models by forging strategic partnerships with venture-capital funds. Our aim is to identify promising energy technologies of the future that will enhance our palette of offerings for our millions of customers around Europe and will make us a pacesetter in the operation of smart energy systems.

We select new businesses that offer the best opportunities for partnerships, commercialization, and equity investments. Our investments focus on strategic technologies and business models that enhance our ability to lead the move to distributed, sustainable, and innovative energy offerings. These arrangements benefit new technology companies and E.ON, since we gain access to their innovations and have a share in the value growth. Cleantech Group—developer of a market intelligence platform for environmentally friendly technologies, products, and services—conferred two awards on us in 2014: European Cleantech Corporation of the Year and Corporate Investor of the Year.

In addition, E.ON opened an office in San Francisco in September 2014. The purpose is to be an active investor in Silicon Valley and to make the innovative potential of American start-ups available to E.ON customers. Our presence will enhance our ability to identify interesting business models early and to forge promising partnerships.

E.ON made the following venture-capital investments in 2014:

- AutoGrid brings the power of big data, predictive analytics, and internet-scale computational techniques to the production and consumption of electricity. Serving power producers of all sizes, grid operators, energy service companies, and end-users, AutoGrid develops and markets services that both help lower costs and improve the reliability of the electricity supply chain. AutoGrid is based in Redwood Shores, California.

- Sungevity, a global provider of solar-energy solutions, focuses on making solar power easy and affordable for homeowners. As more customer-centric residential solar solutions come on market, we want to provide our customers with the best solutions available. We are first deploying Sungevity's proprietary remote solar design technology in the Netherlands, where homeowners can use it to significantly reduce their electricity bills. Sungevity is based in Oakland, California.

- QBotix builds intelligent, mobile robots for solar arrays with dual-axis tracking. QBotix's system could deliver cost savings up to 20 percent on solar projects, significantly improving the economics of our solar development pipeline. QBotix is based in Menlo Park, California.

- Thermondo is a Berlin-based start-up that helps residential customers purchase an efficient and environmentally friendly heating unit. Customers can use Thermondo's innovative online platform and proprietary IT infrastructure to compare a variety of heating-unit manufacturers and technologies quickly, easily, and cost-effectively. They can then choose and purchase the one that best fits their needs. The selected unit is installed by certified technicians from Thermondo. The company combines the speed and wide product range of an internet company with the outstanding workmanship of experienced HVAC technicians.

- Leeo develops and provides smart home solutions consisting of simple and intelligent plug-and-play devices and related data services. The company, which is based in San Francisco, develops products and services for itself as well as select enterprise partners.

Sample Projects from 2014

Customer Solutions

E.ON conducted its biggest-ever product launch in Sweden, giving away 120,000 smart meters and E.ON-developed smart tools to customers. The smart tool, which can be operated using a mobile phone app, empowers customers to reduce their energy consumption. It is a step into the future, providing us with a digital platform for completely new ways of doing business.

We continued to test energy management systems and grid technologies of the future in Hyllie, a sustainable district of Malmö, Sweden, that is gaining international attention as a model for how communities can generate, control, and make the best use of their energy. E.ON is playing a key role in Hyllie's development and is committed to supplying 100 percent renewable or recycled energy to the district by 2020, by which time there will be 12,000 people living and working there.

Renewables

A new large-scale experiment got under way at the National Renewable Energy Center near Newcastle upon Tyne in the United Kingdom. It will study how underwater noise from wind-farm construction affects different marine animals. World-class experts in acoustics and marine biology are using a simulated seabed to help E.ON to improve the underwater noise models used to predict how marine animals react to the noise made by pile-driving, a common method of installing the foundations of turbine towers in offshore wind farms.

E.ON entered into a partnership with other developers and operators to validate a new technique for installing large monopiles in an effort to reduce costs, risks, and noise in future offshore wind farms. The demonstration project, which is being conducted off Germany's North Sea coast near Cuxhaven, is overseen by the U.K. Carbon Trust's Offshore Wind Accelerator, a leading research and development program of which E.ON is a member. The new installation technique uses vibration instead of conventional pile-driving.

Distribution Networks
We tested radio-controlled drones equipped with a high-definition camera or other sensing devices to inspect power lines, power plants, and wind turbines. Drones offer a less time-consuming and safer method for inspecting grid components that cannot be seen clearly from the ground. They also can be used to inspect specific points on overhead lines, reducing the need for helicopter surveys and making surveys more flexible.

Digitalization
After previously outsourcing data analysis projects, in 2014 we established a Data Analytics Laboratory. It will enable trained experts across E.ON to explore the power of analytics and to combine different sets of data in a dedicated environment.

Energy Storage
Since entering service in August 2013, E.ON's power-to-gas demonstration plant at Falkenhagen, Germany, has injected more than 2 million kWh of regenerative hydrogen into the regional gas transmission system, enough to meet the gas needs of about 150 households.

E.ON received three awards for the first smart power grid in northern Germany, operated on Pellworm island:
- the coveted innovation award of the "Germany—land of ideas" initiative
- the environmental award presented by Studien- und Fördergesellschaft der Schleswig-Holsteinischen Wirtschaft e.V., a Schleswig-Holstein business association
- an audience award called "Excellent places in the land of ideas."

In 2014 we started a project with several partners (RWTH Aachen University, E.ON Energy Research Center, IAEW, EXIDE, and SMA) to plan and build a large-scale modular battery storage system called M5BAT in Aachen. M5BAT will be the first system of its kind in the world. E.ON is also responsible for developing and testing marketing strategies for future energy storage products.

Power Generation
We continually develop and refine advanced condition monitoring ("ACM") to preserve the production capacity of our combined-cycle gas turbines and to improve their reliability, operational flexibility, and efficiency. In 2014 we identified new ACM techniques to do things like detect cracks in gas turbine blades. We also tested new hardware; one example is a device that enables us to use current and voltage analysis to monitor the vibration of inaccessible components. Another focus of our ACM effort is to optimize maintenance strategies. For example, in 2014 we tested software to determine when it makes the most financial sense to conduct maintenance based on plant lifespan.

University Support
Our T&I activities include partnering with universities and research institutes to conduct research projects in a variety of areas. Our flagship partnership is with the E.ON Energy Research Center at RWTH Aachen University in Germany.

Macroeconomic and Industry Environment

Macroeconomic Environment

In 2014 the global economy continued to grow at a moderate pace. According to figures from the OECD, global gross domestic product ("GDP") grew in real terms by 3.3 percent, slightly above the figure for 2013. However, growth in recent years has lagged 1 percentage point behind the long-term average growth rate for the period 2000–2007 that led up to the financial crisis. Global trade expanded by 3 percent in 2014, which was also below the long-term average of years past. The OECD attributes the global economy's persistent sluggishness in part to continued uncertainty in many parts of the world. Despite this broader trend, economic growth varied by country.

Loose monetary policy fueled robust consumer demand in the United States and the United Kingdom, resulting in additional demand for investment goods.

The euro zone's economy was almost stagnant, held back by investor uncertainty, high unemployment, and deflationary tendencies. Some support was provided by continued expansive monetary policy and less pressure to consolidate fiscal policy.

Germany's moderate economic growth was driven primarily by stable consumption. Domestic demand was supported in particular by a stable labor market. Italy had its third straight year of recession in 2014, although the rate of economic contraction was significantly slower. The other countries of Southern Europe emerged from recession and returned to growth. Economic performance varied among EU member states in Northern Europe in 2014. Finland experienced its third year of recession, although here too the rate of contraction slowed. Sweden's GDP expanded owing to consumption and exports. The economic performance of Eastern European member states was generally much better than in the rest of the EU, in part because domestic demand remained robust despite a weak macroeconomic environment. After two years of recession the Czech economy began to grow again; after two years of weak growth the Polish economy nearly doubled its growth rate.

Dampened by a decline in investment activity and high inflation, Brazil's economy was not able to repeat the sometimes high growth rates of years past. Although Russia faced a number of adverse factors—including a reduction in oil prices, capital flight, and a decline in investment activity—it managed to avoid sliding into recession in 2014. Generally weak domestic demand and above all a decline in investment activity prevented Turkey's economy from repeating the high growth rates of the past.

2014 GDP Growth in Real Terms

Annual change in percent

Source: OECD, 2014.

Energy Policy and Regulatory Environment

International

The 20th United Nations climate change conference took place in Lima, Peru, in December 2014. Progress was made on some of the details of an international climate treaty. Agreement on a new treaty had not been expected. However, this time there was greater optimism that a treaty will be signed at the next conference, which will be held in Paris at the end of 2015. An important step in that direction would be the announcement, at the beginning of 2015, of national targets for reducing greenhouse gas ("GHG") emissions. Prior to the Lima conference, the International Energy Agency published its *World Energy Outlook 2014*. Among its predictions is that global energy consumption will continue to rise.

Benelux

The Netherlands' National Energy Agreement, which was signed in 2013, could not be put in place because of issues raised by the country's regulatory agency. Belgian energy policy focused on aspects of supply security in view of a looming shortage of generating capacity. Belgium has in place a strategic reserve mechanism, in which E.ON participates.

Brazil

In 2014 Brazil continued to use the tender process for awarding power purchase agreements for new hydro, coal, gas, biomass, solar, and wind capacity. In part due to the drought-induced fragility of Brazil's power supply, the main focus of its energy policy continues to be on achieving a reasonable balance between price stability and an attractive investment environment for new generating capacity in order to ensure a high degree of supply reliability.

Central Eastern Europe

Although in most of the countries of this region there was little change in the regulatory environment in 2014, there were examples of regulatory intervention such as price moratoriums and, in Hungary, of legislatively mandated reductions in end-customer tariffs.

Europe

Two key subjects of Europe's energy-policy debate in 2014 were the reform of the EU Emissions Trading Scheme and the future direction of European energy and climate policy. In 2014 it was decided to temporarily withhold a certain number of emission allowances, thereby beginning the process of reducing the auction volume. In January the European Commission put forward a legislative proposal for establishing a market stability reserve designed to rebalance supply and demand in the carbon market over the medium term; this proposal is being debated by the newly elected European Parliament and by the member states. In January the Commission also put forward the Framework for Climate and Energy Policies up to 2030, which was approved in late October by the European Council, which consists of the heads of state and government. The framework sets a binding target of reducing GHG emissions by at least 40 percent by 2030 compared with 1990. It also sets non-binding targets of at least 27 percent for renewables' share of energy used and for the increase in energy efficiency. The Commission's task for 2015 is to transform these proposals into draft legislation.

It is anticipated that in 2015 this Commission will devote more attention than previous commissions to issues such as capacity market designs and the reliability of the electricity supply.

A number of significant financial market regulations were discussed in 2014. Particularly noteworthy were the consultations on different aspects of the Market in Financial Instruments Directive ("MiFID II"). Nevertheless, a not inconsiderable degree of uncertainty remains regarding several definitions and technical criteria. MiFID II is supposed to take effect in 2017.

France

France's capacity market is taking more precise shape. Starting in 2016/2017, utilities will be required to ensure that they have sufficient capacity certificates to meet their peakload obligations. As part of this process, all power plants in France will be certified by their network operator and all will participate in the capacity market, which will be technology-neutral. Existing and new capacity will receive the same compensation, which will be set by a market-based mechanism, not by regulated tariffs. Consumers with flexible load can also participate in the capacity market, which gives it a demand-side component. However, the process of establishing the capacity market is behind schedule.

Germany
The energy-policy debate in Germany in 2014 again focused primarily on the implementation of the energy strategy known as the *Energiewende*: the transformation of the country's energy system. Key topics of discussion included renewables subsidies, renewables' ability to assume market and system responsibility, possible solutions for stabilizing the reliability of the power supply, particularly with regard to conventional generating capacity. The government aims to enhance supply security through more regulatory intervention: over the medium term, it intends to design capacity-market mechanisms that will create sufficient incentives to keep existing generating capacity in the market and to build new capacity. As part of this effort, the German Federal Minister for Economic Affairs published a number of studies and, in the autumn, an Electricity Market Green Paper, which initiated a broad-based discussion of the future design of Germany's electricity market.

The energy-policy debate in Germany in the first half of 2014 centered around the reform of renewables support schemes. These changes will affect numerous E.ON operations. The new rules will likely have a generally positive effect on our offshore wind and hydro operations and could create new business opportunities for energy services. We anticipate adverse consequences for new business relating to biomethane.

In the autumn the German government adopted a Climate Action Program. Its purpose is to enable Germany to reach its climate-protection targets for 2020. It includes additional measures (beyond those already in place) to achieve further reductions in carbon emissions in power generation. These measures will be announced in 2015.

Russia
There were several noteworthy regulatory developments in Russia. The government issued new ordinances for power stations aimed at further enhancing the security of the country's power and heat supply. The Federal Tariff Service approved prices for power and generating capacity for 2015. It also established price caps for 2015 for two zones of the country's power system. There were also procedural changes to capacity auctions; these included adjustments to the treatment of unavailable capacity. The political crisis between Ukraine and Russia and the EU sanctions against Russia did not lead to any adverse developments in Russia's energy-policy environment.

Sweden
Sweden's minority government reached an agreement with certain opposition parties, avoiding the need for new elections, which had been scheduled for March. The government is expected to pass a new budget in May 2015. This budget could raise the taxes on nuclear power stations. Sweden and other member states must transpose the EU water framework directive into national law by 2015, which could limit the output of Sweden's hydroelectric stations.

Turkey
In 2014 Turkey continued liberalizing its energy market. The privatization of Turkey's 21 regional power distributors and energy retailers is completed. Its generation market continues to be privatized.

Turkey took more steps to set up EPIAŞ, its new energy exchange, which will replace and integrate PMUM, the country's previous energy marketplace. The purpose of EPIAŞ is to help Turkey expand its role as an energy hub between the EU and energy-rich countries of the Middle East and the Caspian Sea region.

United Kingdom
The U.K. government is currently reforming the country's wholesale power market with the aim of improving the investment climate for low-carbon technologies and ensuring supply security. The introduction of feed-in tariffs is intended to provide greater certainty of revenues for new nuclear capacity, new renewables capacity, and carbon capture and storage. The introduction of a capacity market is intended to ensure supply security. The first capacity auction, for the 2018/2019 delivery year, was held in December 2014. Contracts for a total of about 49.2 GW of capacity at a clearing price of £19.40 per kW per year were awarded. The contracts have different durations depending on whether they are for new plants, existing plants, refurbished plants, or demand-side response.

The U.K. Competition Market Authority is conducting an investigation of the state of competition in the power and gas retail market. It is expected to issue its recommendations in the fourth quarter of 2015 at the earliest.

USA
There was more discussion in the United States about legislation that takes a long-term approach to climate protection. This legislation could include new regulations aimed at reducing specific GHG emissions of power stations by 30 percent by 2030. Existing federal policies to support renewables have made the United States a global leader in wind power. These policies include production tax credits, which were extended for another year to support wind farms whose construction began in 2014. Investment tax credits for solar energy are in place through 2016, after which they will be substantially reduced. In addition, many states have established programs that set mandatory targets for renewables in their power markets, which has resulted in trading in green-power certificates at a regional level.

Energy Industry
According to preliminary figures from AGEB, an energy-industry working group, Germany consumed 446.5 million metric tons of coal equivalent ("MTCE") in 2014, 4.8 percent less than in 2013. Mild weather was the main factor. Consumption of all fossil fuels declined, whereas renewables production increased. AGEB therefore expects Germany's energy-related carbon emissions for 2014 to decline by just over 5 percent year on year. About half of this reduction is attributable to power generation.

Germany's petroleum consumption declined by 1.3 percent to 156.2 MTCE, its natural gas consumption by about 14 percent to 91.2 MTCE. Less natural gas was used for both space heating and power generation. Consumption of hard coal fell by 7.9 percent to 56.2 MTCE, in part because of the increase in renewables output. Consumption of hard coal at cogeneration plants declined by 11.7 percent to 36.9 MTCE. Consumption of lignite, which is used almost exclusively for power generation, decreased by 2.3 percent to 54 MTCE. Nuclear production declined by 0.4 percent to 36.1 MTCE.

Renewables output in Germany rose by 1.4 percent to 49.4 MTCE. Renewables' share of primary energy consumption increased from 10.4 percent to 11.1 percent. Hydro generation (excluding pumped storage) declined by 9 percent, whereas wind generation rose by just over 1 percent. Solar generation increased by just under 14 percent. Together, wind and solar generation rose by 3.3 percent.

Primary Energy Consumption in Germany by Energy Source

Percentages	2014	2013
Petroleum	35.0	33.7
Natural gas	20.4	22.6
Hard coal	12.6	13.0
Lignite	12.2	11.9
Nuclear	8.1	7.7
Renewables	11.1	10.4
Other (including net power imports/exports)	0.6	0.7
Total	**100.0**	**100.0**

Source: AGEB.

Electricity consumption in England, Scotland, and Wales declined by 5 percent, from 305 to 290 billion kWh. Gas consumption (excluding power stations) declined from 588 to 506 billion kWh owing to higher temperatures in 2014 relative to 2013. Ongoing energy-efficiency measures and more cost-conscious energy use also served to reduce consumption.

Northern Europe consumed 375 billion kWh of electricity, a year-on-year decline of 7 billion kWh, because of higher average temperatures and stagnating industrial demand. It recorded net electricity exports to surrounding countries of about 10 billion kWh compared with net imports of about 2 billion kWh in 2013 reflecting the increase in hydro output in 2014.

Hungary's electricity consumption rose by 4 percent to 35 billion kWh owing to higher industrial demand. Driven by higher average temperatures, a reduction in gas-fired generation, and energy-saving measures, Hungary's gas consumption declined by 13 percent to 11,641 million cubic meters.

France's electricity consumption fell by 6 percent to 465.3 billion kWh because of weather factors along with weak economic growth and energy-efficiency measures.

The Russian Federation generated 1,046.3 billion kWh of electricity, a slight increase year-on-year. It generated 1,024.9 billion kWh in its integrated power system (which does not include isolated systems), which also represents a slight increase. Power consumption in the Russian Federation as a whole rose by 0.4 percent to 1,035.2 billion kWh.

Energy Prices

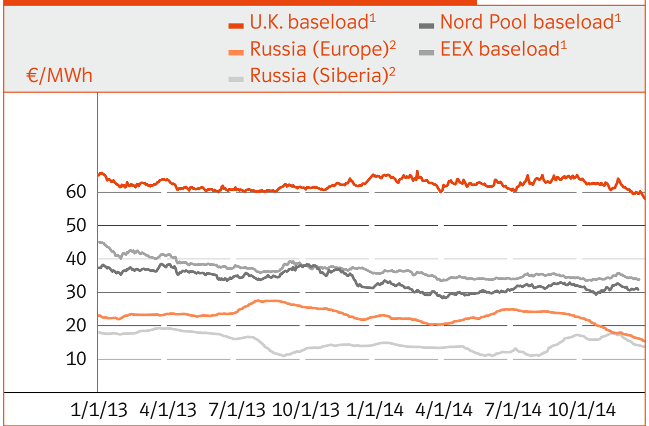
Five main factors drove Europe's electricity and natural gas markets and Russia's electricity market in 2014:

- international commodity prices (especially oil, gas, coal, and carbon-allowance prices)
- macroeconomic and political developments
- weather
- the availability of hydroelectricity in Scandinavia
- the expansion of renewables capacity.

The two main factors that influenced commodity markets throughout the year were Europe's mild weather and the resulting decline in prices for nearly all types of fuels. The sharp decline in energy prices also affected the rate of inflation, which in December 2014 was negative for the first time since October 2009. The U.S. dollar continued to appreciate against the euro, and the value of the Russian ruble fell dramatically. Concerns about the potential geopolitical risks of the spread of the Ukraine crisis did not have a lasting impact on prices.

Oil prices in particular displayed a varied pattern in 2014. Prices were relatively stable in the first half of the year because the downward pressure from production increases in non-OPEC countries was more than offset by uncertainty regarding the crisis in the Middle East. In the second half of the year, prices then fell by 40 percent to a five-year low in response to weaker global demand, further production increases, and the resumption of production in Libya. The situation was exacerbated by the fact that OPEC, or more precisely Saudi Arabia, refused to play its historic role of price-stabilizer and because Russia and Iraq ratcheted up their production despite lower prices.

Wholesale Electricity Price Movements in E.ON's Core Markets



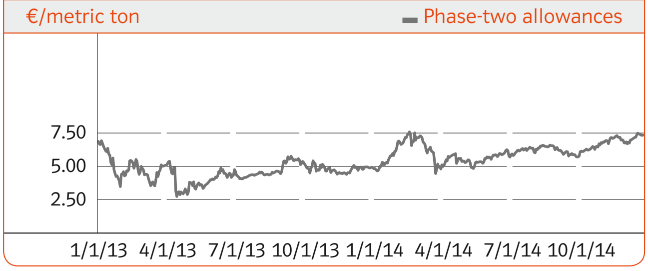
[1]For next-year delivery.
[2]Spot delivery (30-day average).

Coal prices also continued to decline almost unchecked. As in 2013, the market suffered from oversupply and weak demand, which put downward pressure on prices, primarily in the first quarter. Uncertainty regarding Columbia's production was a brief stabilizing factor at the beginning of the year. Above-average temperatures reduced import demand in the Atlantic basin throughout the winter. After a mostly uneventful summer, coal prices began to move again in the fourth quarter, sliding to a new four-year low in response to the collapse of oil prices and the strengthening of the U.S. dollar against the currencies of all major coal-exporting countries.

Europe's gas market saw a relatively high degree of price volatility and generally declining price levels in 2014. The latter trend resulted from mild weather in the first quarter and declining oil prices in the second half of the year. In addition, in the fourth quarter the LNG spot market displayed the first signs of oversupply, which were brought on by high inventory levels at gas storage facilities in East Asia and weak industrial demand worldwide. Prior to that, prices had stabilized temporarily in the summer months as the anticipated oversupply had not yet materialized despite the abundant storage situation. Prices for next-year delivery fluctuated dramatically at times in response to news about developments in the Ukraine crisis.

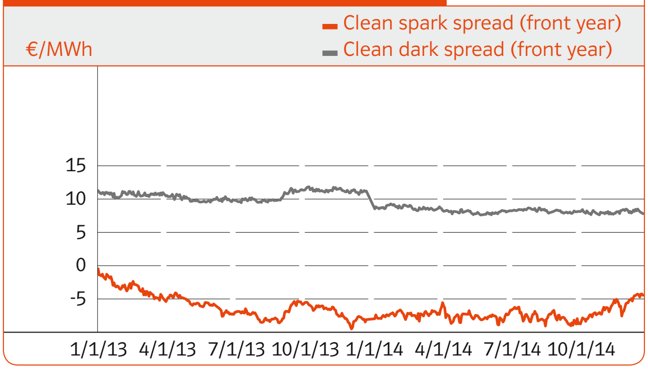
Prices for EU carbon allowances ("EUAs") under the European Emissions Trading Scheme fluctuated substantially at the start of the year amid speculative trading. The two main factors were the agreement reached by policymakers on a directive to reduce the number of EUAs in circulation through a mechanism known as backloading and the implementation of this directive in March. Starting in May, backloading began to have the desired effect, resulting in a steady increase in EUA prices through December. The policy debate about a proposed market stability reserve (a long-term solution for addressing the oversupply of EUAs) became an important price driver in the fourth quarter.

Carbon Allowance Price Movements in Europe



The prvious year's downward price trend for German baseload power for next-year delivery continued in 2014. The ongoing increase in installed renewables capacity and a weak forecast for coal prices remained the key factors. After declining steadily in the first half of the year, prices were very volatile in the second half, mainly because of the development of underlying fuel prices and increasing uncertainty about potential regulatory changes.

Clean Dark and Spark Spreads in Germany

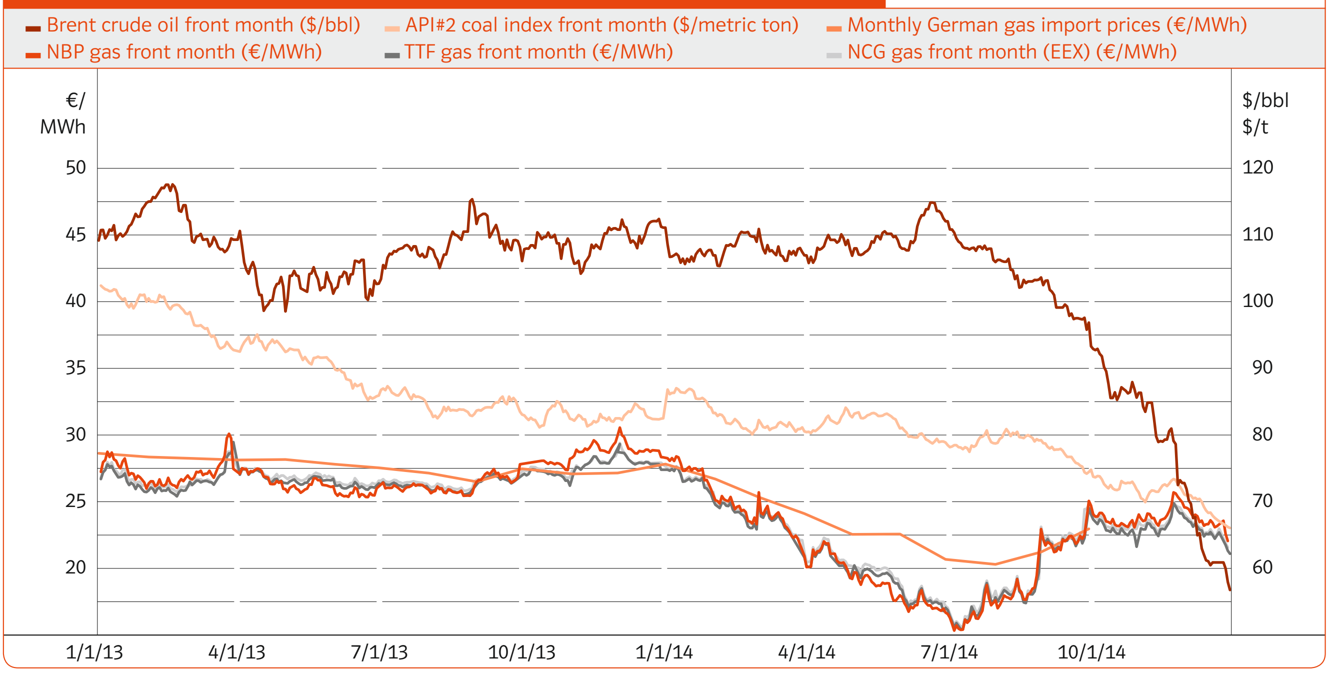


Throughout the year, U.K. power prices reflected their significant dependence on gas prices. Consequently, prices for next-year delivery tracked the downward trend in gas prices in the first half of the year, the stabilization of gas prices in the third quarter, and their renewed decline in the fourth quarter, which resulted from mild winter weather.

The average spot price on the Nordic power market was at its lowest level in seven years, primarily because of low fuel prices, the development of German power prices, and above-average temperatures. As a result, the region remained a net exporter of power to adjacent markets. Reservoir levels barely deviated from their historic average. As with spot prices, prices for next-year delivery displayed a marked downward trend.

Prices in the European zone of the Russian power market rose significantly in the first three quarters of the year. This trend was reversed in the fourth quarter as the seasonal increase in demand and a decline in hydro output were more than offset by an increase in nuclear and CHP output. Prices in the Siberian zone increased substantially in the second half of the year, particularly in the fourth quarter, owing to very low hydro output and higher exports to the European zone made possible by improvements in the interconnection between the two zones.

Crude Oil, Coal, and Natural Gas Price Movements in E.ON's Core Markets

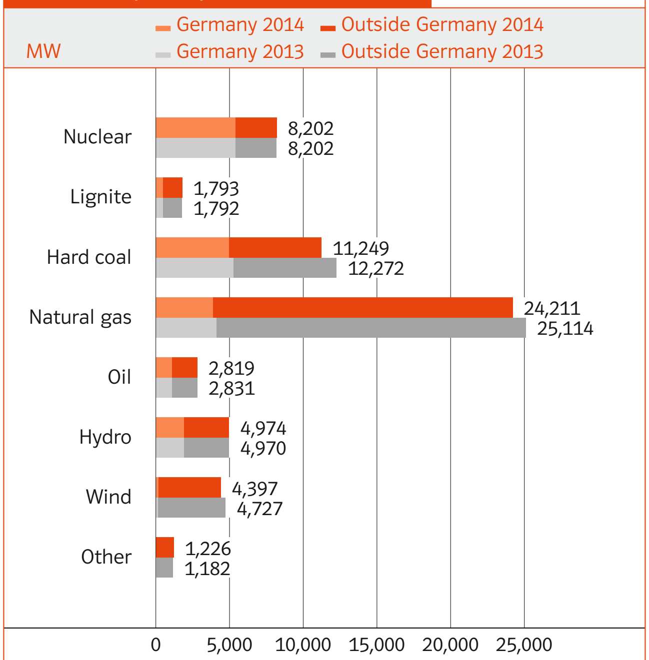


Business Performance

Generating Capacity

The E.ON Group's attributable generating capacity (that is, the capacity that reflects the percentage of E.ON's ownership stake in an asset) declined by 4 percent, from 61,090 MW at year-end 2013 to 58,871 MW at year-end 2014. The E.ON Group's fully consolidated generating capacity also declined by 4 percent, from 62,809 to 60,151 MW.

Attributable Generating Capacity (Ownership Perspective)

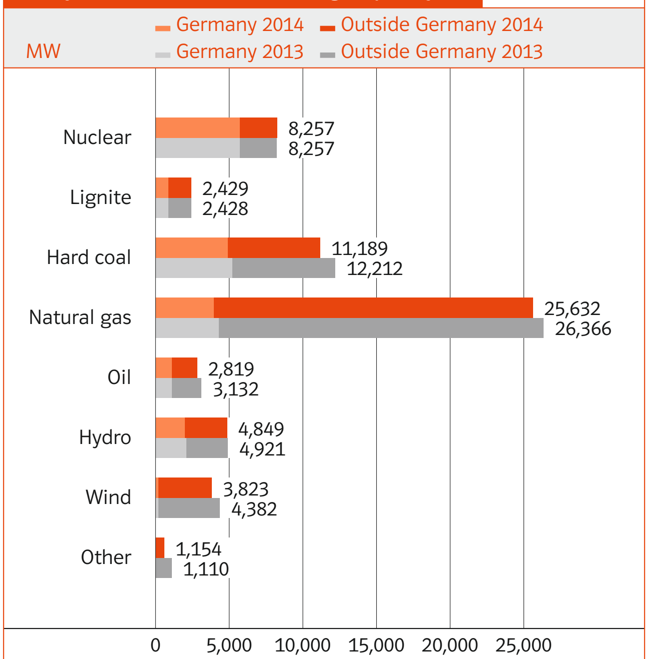


Additional information in Tables and Explanations on page 220 et seq.

Several categories of our attributable generating capacity—nuclear, lignite, oil, hydro, biomass, and other—were essentially unchanged. The decline of 1,023 MW in hard coal reflects, in particular, the scheduled decommissioning of three generating units at Datteln power station in Germany and the closure of three units in France. Our attributable gas-fired capacity declined by 903 MW owing to the closure of three gas turbines, one each in Germany, Slovakia, and the Netherlands. Our build-and-sell strategy reduced our attributable wind capacity by 330 MW.

Our fully consolidated generating capacity declined by 2,658 MW, largely for the reasons just described. Unlike our attributable capacity, our consolidated gas capacity was just 734 MW lower due to the consolidation of a gas-fired generating unit in Italy. Our fully consolidated oil capacity declined by 313 MW owing to the closure of two oil-fired units in Italy. Our fully consolidated hydro capacity declined by 72 MW, primarily because of the divestment of small hydroelectric plants in Germany. The sale of stakes in wind farms in the United States and Denmark decreased our fully consolidated wind capacity by 559 MW.

Fully Consolidated Generating Capacity

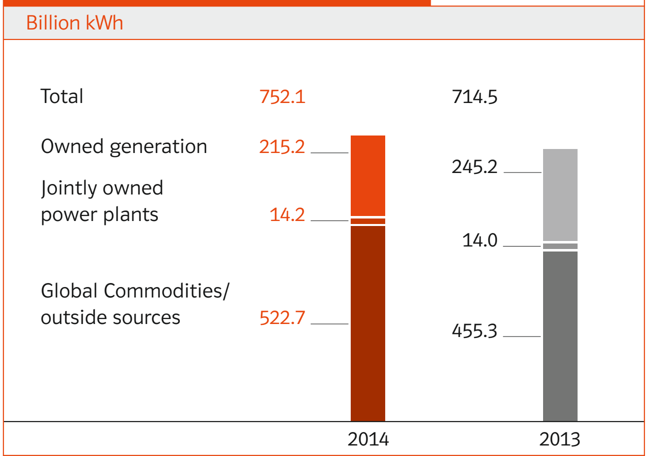


Additional information in Tables and Explanations on page 220 et seq.

Power Procurement

The E.ON Group's owned generation declined by 30 billion kWh, or 12 percent, year on year. The Generation unit accounted for most—21.2 billion kWh—of the reduction. Owned generation at our other units declined by 8.8 billion kWh. Power procured increased by 67.6 billion kWh.

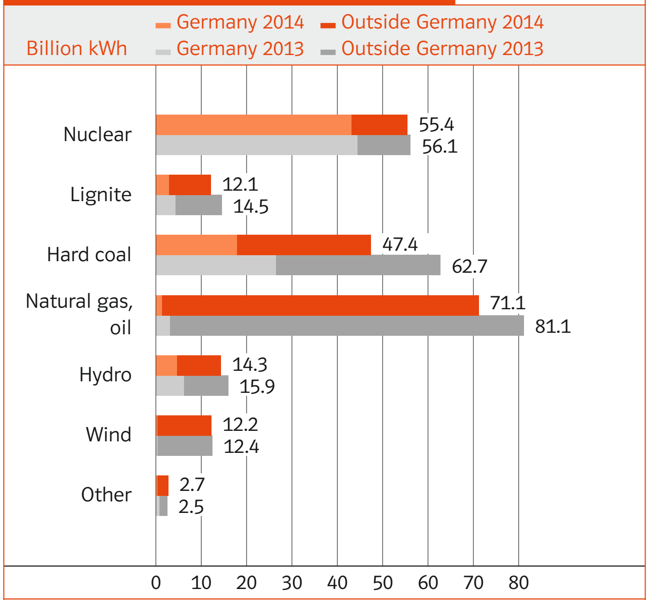
Power Procurement



Additional information in Tables and Explanations on page 220 et seq.

Generation's owned generation decreased by 21.2 billion kWh, from 146.7 to 125.5 billion kWh. In Germany the decline resulted in particular from the reduced dispatch of coal-fired and gas-fired assets due to the current market situation, the scheduled decommissioning of three generating units at Datteln power station, unplanned outages of hard-coal-fired generating units at Staudinger and Heyden power stations, extended downtimes at Grohnde and Isar 2 nuclear power stations, and the sale of Buschhaus, a lignite-fired power plant. In France less power was generated at gas-fired assets because of the market situation, the shutdown of two generating units, and the limited availability of two units. In Italy we generated less power in gas-fired plants because of the deteriorated market situation. In Sweden we conducted overhaul work to extend the operating life of unit 2 at Oskarshamn nuclear power station. Lower demand due to the relatively warmer weather was another adverse factor.

Owned Generation by Energy Source



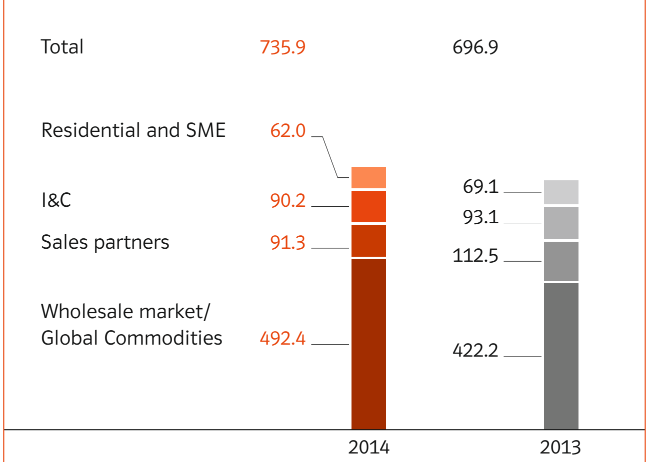
Additional information in Tables and Explanations on page 220 et seq.

Power Sales

The E.ON Group's consolidated power sales were 39 billion kWh above the prior-year level due to an increase in trading activity.

Power Sales

Billion kWh



Additional information in Tables and Explanations on page 220 et seq.

The 7.1 billion kWh decline in power sales to residential and small and medium enterprise ("SME") customers reflects, in particular, lower sales volume at the Germany regional unit and at Other EU Countries due to mild weather. Lower customer numbers and ongoing energy-efficiency measures were additional adverse factors in the United Kingdom. Power sales in Germany were adversely affected by the divestment of E.ON Thüringer Energie and E.ON Mitte and by lower average consumption due both to mild weather and enhanced energy-efficiency measures. However, we continued the positive trend of recent quarters by achieving further improvements in customer acquisition and satisfaction. On a net basis, this resulted in the addition of 40,000 new customers.

Power sales to industrial and commercial ("I&C") customers declined by 2.9 billion kWh. The Germany regional unit's I&C power sales declined by 4.1 billion kWh, from 25.1 to 21 billion kWh owing to the above-mentioned divestments as well as the loss of customers due to competition. By contrast, Other EU Countries' I&C power sales rose by 0.9 billion kWh, from 64.9 to 65.8 billion kWh.

Power sales to sales partners declined by 21.2 billion kWh. The Germany regional unit's power sales to this customer group declined by 14.2 billion kWh, from 75.5 to 61.3 billion kWh, owing to the above-mentioned reasons and to the divestment of E.ON Westfalen Weser and E.ON Energy from Waste. Generation's power sales declined by 4.4 billion kWh, from 32.8 to 28.4 billion kWh, mainly because of lower production at fossil-fueled assets and unplanned outages in Germany. Lower demand resulting from comparatively mild weather was an additional adverse factor here as well. Renewables' power sales of 5.6 billion kWh were 2.4 billion kWh below the prior-year figure of 8 billion kWh, principally because of the reduction in installed capacity following the sale of certain hydroelectric assets in 2013 in Germany in conjunction with our market entry in Turkey.

An increase in Global Commodities' trading activities to optimize E.ON's generation portfolio was primarily responsible for the increase in power sales in the trading business.

Gas Procurement, Wholesale Sales, and Production

The Global Commodities unit procured about 1,211 billion kWh of natural gas from producers in and outside Germany in 2014.

To execute its procurement and sales mission for the E.ON Group, Global Commodities traded the following financial and physical quantities with non-Group entities:

Trading Volume

	2014	2013
Power (billion kWh)	1,695	1,286
Gas (billion kWh)	1,794	1,961
Carbon allowances (million metric tons)	458	469
Oil (million metric tons)	49	49
Coal (million metric tons)	188	211

The table above shows our entire trading volume from 2014, including volume for delivery in future periods.

Upstream Production

	2014	2013	+/- %
Oil/condensates (million barrels)	10.6	7.5	+41
Gas (million standard cubic meters)	1,885.4	1,464.7	+29
Total (million barrels of oil equivalent)	**22.4**	**16.5**	**+36**

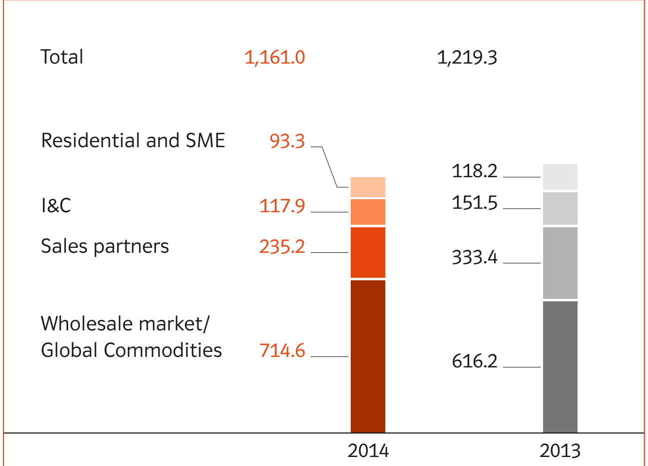
The main reason for the increase in Exploration & Production's production in the North Sea was higher production at Skarv field resulting from improved production efficiency. It also reflected higher production at Babbage, Rita, Huntington, and Njord/Hyme fields. In addition to its North Sea production, in 2014 Exploration & Production had 5,923 million cubic meters of output from Siberia's Yuzhno Russkoye gas field, which is accounted for using the equity method.

Gas Sales

The E.ON Group's gas sales declined by 58.3 billion kWh, or 5 percent.

Gas Sales

Billion kWh



Additional information in Tables and Explanations on page 220 et seq.

Gas sales to residential and SME customers declined by 24.9 billion kWh. Comparatively mild weather was the main factor in the United Kingdom, Germany, Romania, and the Netherlands. Competition-driven losses constituted another negative factor in the United Kingdom. The derecognition of a majority-held equity interest in the first quarter of 2014 was the principal reason for the decline in Czechia.

Gas sales to I&C customers declined by 33.6 billion kWh. Owing to the above-described reason, the Germany regional unit's gas sales to I&C customers fell by 26.5 billion kWh, from 109 to 82.5 billion kWh. Other EU Countries' gas sales fell at all of its units except Hungary by a total of 7.1 billion kWh, mainly because of weather factors. The above-mentioned derecognition was an additional adverse factor in Czechia.

Gas sales to sales partners declined by 98.2 billion kWh. The decline at the Germany regional unit mainly reflects the transfer of its business with energy traders and banks to our Global Commodities unit (where this business is classified as wholesale market sales) and the development of commodity prices. Mild weather and, in particular, keen competition were adverse factors as well.

Gas sales in the trading business rose by 98.4 billion kWh, primarily because of an increase in the proportion of sales on the wholesale market.

Business Performance in 2014

Our business performance in 2014 continued to reflect the difficult situation on energy markets in Germany and Europe but also the many operational, financial, and strategic measures we initiated.

Our sales of €111.6 billion were 7 percent below the prior-year figure of €119.7 billion. Our EBITDA declined by 9 percent year on year to €8.3 billion, underlying net income by 24 percent to €1.6 billion. Both results are in line with our expectations. The declines primarily reflect currency-translation and portfolio effects.

Consequently, our 2014 EBITDA and underlying net income were both within the forecast ranges—€8 to €8.6 billion and €1.5 to €1.9 billion, respectively—of our earnings guidance.

Our investments of approximately €4.6 billion were significantly below the high prior-year figure of €8 billion but also below the figure of €4.9 billion foreseen for 2014 in our medium-term plan, mainly because of currency-translation effects and scheduling changes at some projects.

Despite the earnings decline, our operating cash flow of €6.3 billion was at the prior-year level.

Relative to year-end 2013, at year-end 2014 our economic net debt increased slightly to €33.4 billion, in particular because of higher provisions for pensions. Our debt factor rose to 4 (prior year: 3.5). As part of implementing our new strategy, we will review our medium-term debt factor target to reflect our new business profile after the spinoff of the New Company.

E.ON 2.0

To enhance our performance, in the summer of 2011 we launched a Group-wide restructuring and cost-cutting program called E.ON 2.0. Its objective is to reduce E.ON's controllable costs from roughly €11 billion in 2011 to €9 billion by 2015 at the latest (adjusted for divestments, this figure is now €7.5 billion). By year-end 2014 we had already achieved about 90 percent of the targeted savings, resulting in a lasting reduction in our cost basis. We plan for E.ON 2.0 to deliver further cost reductions in 2015.

Building on our cost-cutting successes, in the second half of 2013 we launched an E.ON 2.0 project called Working Capital Excellence. Its aim is to make lasting improvements in our processes that reduce our working capital by €1 billion by the end of 2016 on a cash-effective basis relative to 2012. To get there, we set out to reduce receivables cycles (Order-to-Cash), expand our use of non-interest-bearing liabilities (Procure-to-Pay), and optimize our inventories (Forecast-to-Fulfill). By year-end 2014 we already achieved working capital reductions of about €0.4 billion and designed measures to achieve the remainder of the 2016 target.

Acquisitions, Disposals, and Discontinued Operations in 2014

We executed the following significant transactions in 2014. Note 4 to the Consolidated Financial Statements contains detailed information about them.

Disposal Groups, Assets Held for Sale and Discontinued Operations

To implement our divestment strategy, through year-end 2014 we classified as disposal groups, classified as assets held for sale, or sold the following activities:

- our generation operations in Italy
- our generation operations in Spain
- Global Commodities' operations in Lithuania
- certain micro heating plants in Sweden
- a minority stake in Pražská plynárenská
- an 80-percent stake in Rødsand 2, a 207 MW offshore wind farm
- stakes in two wind farms in the United States
- our stake in Erdgasversorgungsgesellschaft Thüringen-Sachsen, a gas utility.

We classified the following activities as discontinued operations:

- the Spain regional unit
- the Italy regional unit.

Disposals resulted in cash-effective items totaling €2,551 million in 2014 (prior year: €7,120 million).

The following table shows the sales, EBITDA, investments, and employee numbers of the Italy and Spain regional units. In view of the negotiations to sell these units, we reclassified them as discontinued operations. Their results are therefore included in net income as income from discontinued operations (see the table on page 39):

Discontinued Operations

	Italy		Spain	
€ in millions	2014	2013	2014	2013
Sales	1,592	1,808	1,166	1,179
EBITDA	43	43	146	132
Investments	3	6	63	81
Employees	308	324	572	588

Earnings Situation

Transfer Price System

Deliveries from our generation units to Global Commodities are settled according to a market-based transfer price system. Generally, our internal transfer prices are derived from the forward prices that are current in the marketplace up to three years prior to delivery. The resulting transfer prices for power deliveries in 2014 reflect the development of market prices and were therefore lower than the prices for deliveries in 2013.

Sales

Our 2014 sales of €111.6 billion were about €8.1 billion below the prior-year level.

Sales

€ in millions	2014	2013	+/- %
Generation	10,285	11,068	-7
Renewables	2,397	2,423	-1
Global Commodities	83,106	90,034	-8
Exploration & Production	2,118	2,051	+3
Germany	28,584	36,521	-22
Other EU Countries	18,995	20,615	-8
Non-EU Countries	1,518	1,865	-19
Group Management/ Consolidation	-35,447	-44,889	–
Total	**111,556**	**119,688**	**-7**

Particularly significant declines in sales were recorded at our Germany, Other EU Countries, and Global Commodities units, although the decline at the latter is entirely attributable to lower intragroup sales.

The Germany regional unit's sales declined by about €8 billion. Most of this—around €6 billion—reflects the divestment of E.ON Energy from Waste, intragroup offsets in the gas business, and a weather-driven decline in sales volume. Another €1.7 billion of the decline is entirely attributable to the divestment of the network operations of E.ON Mitte, E.ON Thüringer Energie, and E.ON Westfalen Weser.

Sales at Other EU Countries were €1.6 billion below the prior-year figure. The following were the main negative factors: a reduction in connection fees for wind farms, lower sales in the distribution network business, and the divestment of operations in Finland and Poland at the Sweden regional unit; the derecognition of a majority-held share investment in the first quarter of 2014 and a regulation-driven decline in sales in the power business in Czechia; and lower sales prices in the regulated power and gas business in Hungary. In addition, currency-translation effects had an additional adverse impact on sales recorded in Sweden, Czechia, and Hungary. Furthermore, warmer temperatures relative to 2013 were responsible for a significant decline in sales in all countries. By contrast, the acquisition of new customers and increases in power and gas sales in France had a positive impact on sales.

Global Commodities' sales declined on the power side owing to a lower price level relative to the prior year and on the gas side owing to a weather-driven reduction in sales volume in the midstream gas business, declining prices, and the sale of the Hungarian gas business in September 2013.

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €345 million was 5 percent below the prior-year figure of €364 million. One reason was the divestment of shareholdings at the Germany regional unit in 2014. Another reason was that fewer engineering services for generation new-build projects were performed in 2014 than in 2013.

Other operating income of €10,966 million was 3 percent above the prior-year figure of €10,681 million. One reason was that income from derivative financial instruments rose by €3,855 million to €6,210 million (prior year: €2,355 million), mainly because of the marking to market of commodity and currency derivatives. By contrast, income from currency-translation effects of €2,437 million was below the prior-year figure of €3,765 million. Corresponding amounts resulting from currency-translation effects and from derivative financial instruments are recorded under other operating expenses. In addition, income on the sale of securities, property, plant, and equipment ("PP&E"), intangible assets, and share investments declined by €1,521 million to €1,028 million (prior year: €2,549 million); as in the prior year, this income was recorded mainly on the sale of share investments. Reversals of provisions and impairment charges were also lower, declining by €428 million to €54 million (prior year: €482 million).

Costs of materials declined by 7 percent, from €105,719 million to €98,496 million. The primary causes were a reduced expense for gas purchases and the divestitures at the Germany regional unit.

Personnel costs declined by about 10 percent to €4,121 million (prior year: €4,604 million), mainly because of divestments made in 2013 and effects relating to our E.ON 2.0 restructuring program.

Depreciation charges rose by €3,462 million, from €5,205 million to €8,667 million, in particular because of impairment charges on PP&E.

Other operating expenses increased by 20 percent to €11,834 million (prior year: €9,902 million). The reason for the increase was higher expenditures relating to derivative financial instruments, which rose by €3,685 million to €5,305 million (prior year: €1,620 million), mainly because of the development of commodity derivatives. This was partially offset by a reduction in expenditures relating to exchange-rate differences, which declined by €818 million to €2,937 million (prior year: €3,755 million). In addition, our €86 million in losses on the sale of securities, PP&E, and share investments was €423 million lower than the prior-year figure of €509 million. We also recorded lower concession fees and IT expenditures.

Income from companies accounted for under the equity method declined by €63 million, from -€210 million to -€273 million, mainly because of impairment charges on a share investment at Non-EU Countries in both 2014 and 2013.

EBITDA

Our 2014 EBITDA was down by about €0.9 billion year on year. The positive factors were:

- cost savings delivered by our E.ON 2.0 program
- higher earnings at Generation and Renewables
- higher production at Exploration & Production.

These factors were more than offset by:

- the absence of earnings streams from divested companies
- lower earnings in our trading business
- adverse currency-translation effects
- adverse regulatory effects at the Germany unit
- lower earnings at Other EU Countries and Russia.

EBITDA[1]

€ in millions	2014	2013	+/- %
Generation	2,215	1,936	+14
Renewables	1,500	1,464	+2
Global Commodities	21	311	-93
Exploration & Production	1,136	1,070	+6
Germany	1,846	2,387	-23
Other EU Countries	1,732	2,012	-14
Non-EU Countries	439	533	-18
Group Management/ Consolidation	-552	-522	–
Total	**8,337**	**9,191**	**-9**

[1]Adjusted for extraordinary effects.

In view of the negotiations to sell our Italy and Spain regional units, we applied IFRS 5 and reclassified these units as assets held for sale from the fourth quarter of 2014 until their derecognition. Furthermore, the initial application of IFRS 10 and 11 resulted in effects which are described in Note 2 to the Consolidated Financial Statements. We adjusted the prior-year figures accordingly.

E.ON generates a significant portion of its EBITDA in very stable business areas. The overall share of regulated as well as quasi-regulated and long-term contracted operations amounted to 53 percent of EBITDA in 2014.

EBITDA[1]

€ in millions	2014	2013	+/- %
Regulated business	2,858	3,482	-18
Quasi-regulated and long-term contracted business	1,596	1,429	+12
Merchant business	3,883	4,280	-9
Total	**8,337**	**9,191**	**-9**

[1]Adjusted for extraordinary effects.

Our regulated business consists of operations in which revenues are largely set by law and based on costs. The earnings on these revenues are therefore extremely stable and predictable. The €624 million decline mainly reflects divestments at the Germany regional unit.

Our quasi-regulated and long-term contracted business consists of operations in which earnings have a high degree of predictability because key determinants (price and/or volume) are largely set by law or by individual contractual arrangements for the medium to long term. Examples of such legal or contractual arrangements include incentive mechanisms for renewables and the sale of contracted generating capacity.

Our merchant activities are all those that cannot be subsumed under either of the other two categories.

Group Management/Consolidation

The figures shown here are from E.ON SE, the equity interests it manages directly, and the offsetting of transactions between segments. The change in EBITDA relative to the prior year principally reflects the equity interests E.ON SE manages and, in particular, the continued centralization of support functions.

Generation

Generation's EBITDA increased by €279 million, or 14 percent.

Generation

	EBITDA[1]		EBIT[1]	
€ in millions	2014	2013	2014	2013
Nuclear	1,411	1,240	1,085	967
Fossil	814	709	129	65
Other/Consolidation	-10	-13	-13	-15
Total	**2,215**	**1,936**	**1,201**	**1,017**

[1]Adjusted for extraordinary effects.

Nuclear's EBITDA increased by about €171 million, owing mainly to lower expenditures for the nuclear-fuel tax in Germany. One factor was the planned early decommissioning of Grafenrheinfeld nuclear power station in May 2015, which resulted in no new fuel elements being loaded. Consequently, no nuclear-fuel tax was levied for Grafenrheinfeld in 2014.

Fossil's EBITDA rose by €105 million, primarily because of the reversal of provisions in conjunction with water-usage fees for gas-fired power plants in Italy and the delivery of planned cost-cutting measures. EBITDA rose in the United Kingdom owing to improved market conditions for coal-fired generation. Unplanned outages at three power stations had an adverse impact on earnings in Germany.

Renewables

Renewables' EBITDA rose by €36 million, or 2 percent.

Renewables

	EBITDA[1]		EBIT[1]	
€ in millions	2014	2013	2014	2013
Hydro	677	780	551	657
Wind/Solar/Other	823	684	493	357
Total	**1,500**	**1,464**	**1,044**	**1,014**

[1]Adjusted for extraordinary effects.

EBITDA at Hydro declined by 13 percent to €677 million. Earnings were lower in Italy due to lower prices and slightly lower sales volume, in Germany due to the reduction in generating capacity and lower water flow, in Spain due to regulatory effects, and in Sweden due to adverse price and currency-translation effects, despite a slight increase in sales volume.

Wind/Solar/Other's EBITDA rose by 20 percent owing to our build-and-sell strategy.

Global Commodities

Global Commodities' EBITDA was €290 million below the prior-year figure. This segment's reporting units in the prior year were Proprietary Trading, Optimization, and Gas Transport/Shareholdings/Other. The new reporting structure better reflects Global Commodities' business activities, in particular its global coal, oil, freight, and LNG activities and its regional power and gas business.

Global Commodities	EBITDA[1]		EBIT[1]	
€ in millions	2014	2013	2014	2013
Coal/Oil/Freight/LNG	29	48	29	48
Power and Gas	-145	176	-236	77
Infrastructure/Other	137	87	132	67
Total	**21**	**311**	**-75**	**192**

[1]Adjusted for extraordinary effects.

Coal/Oil/Freight/LNG's EBITDA was €19 million below the prior-year figure, in particular because of lower earnings in the coal and freight portfolios, where a deteriorated market environment led to narrower margins.

Power and Gas's EBITDA declined by €321 million, mainly because of positive earnings effects recorded in the prior-year period on the exercise of option rights in carbon-allowance trading and the absence of earnings streams from the gas business in Hungary sold in September 2013. Lower achieved power prices constituted another adverse factor.

Infrastructure/Other's EBITDA was €50 million above the prior-year level, primarily because of higher equity earnings from our stake in Nord Stream.

Exploration & Production

EBITDA at Exploration & Production increased by 6 percent, from €1,070 million to €1,136 million. The principal reason was that—despite lower average achieved prices—production was higher at our North Sea fields, primarily at Skarv, Babbage, Rita, Huntington, and Njord/Hyme. By contrast, EBIT declined from €560 million to €498 million because depreciation charges are based on units of production.

Germany

EBITDA at the Germany regional unit declined by €541 million to €1,846 million.

Germany	EBITDA[1]		EBIT[1]	
€ in millions	2014	2013	2014	2013
Distribution Networks	1,525	1,985	953	1,343
Non-regulated/Other	321	402	231	324
Total	**1,846**	**2,387**	**1,184**	**1,667**

[1]Adjusted for extraordinary effects.

Most of the €460 million decline in EBITDA at Distribution Networks is attributable to the divestment of three regional distribution companies in 2013. The new regulation period for power started in 2014, which also had an adverse impact on earnings, since efficiency enhancements achieved during the previous period were passed through to our customers in the form of lower network fees. In addition, the earnings component for grid expansion in accordance with the Renewable Energy Law was lower than in the prior year.

EBITDA at Non-regulated/Other was €81 million below the prior-year figure. Negative factors included the loss of earnings streams due to the divestment of a majority stake in E.ON Energy from Waste and mild weather (including relative to the cold winter of the prior year), which had a particularly adverse impact on the sales and heat business.

Other EU Countries

Other EU Countries' EBITDA was €280 million, or 14 percent, below the prior-year figure.

Other EU Countries

	EBITDA[1]		EBIT[1]	
€ in millions	2014	2013	2014	2013
UK (£ in millions)	384 (310)	378 (321)	299 (241)	319 (271)
Sweden (SEK in millions)	622 (5,663)	733 (6,342)	377 (3,429)	474 (4,104)
Czechia (CZK in millions)	290 (7,972)	494 (12,843)	197 (5,431)	389 (10,105)
Hungary (HUF in millions)	200 (61,692)	195 (57,854)	101 (31,125)	95 (28,206)
Remaining regional units	236	212	157	159
Total	**1,732**	**2,012**	**1,131**	**1,436**

[1]Adjusted for extraordinary effects.

EBITDA at the UK regional unit rose by €6 million because of positive currency-translation effects.

The Sweden regional unit's EBITDA declined by €111 million, which includes adverse currency-translation effects of €33 million. Milder temperatures compared with 2013, lower network connection fees due to delays in wind-power projects, and the absence of earnings from operations divested in Finland and Poland were the other main negative factors.

EBITDA in Czechia declined by €204 million owing primarily to lower compensation payments for the preferential dispatch of renewable-source electricity in the distribution network, the book gain recorded on the sale of an equity interest in 2013, the derecognition of a majority-held share investment in the first quarter of 2014, and adverse currency-translation effects.

The Hungary regional unit's EBITDA was €5 million above the prior-year level. Improved receivables management and lower personnel costs were the main positive factors. Currency-translation effects constituted a negative factor.

EBITDA at the remaining regional units rose by €24 million, in particular because of higher earnings in France, in Romania, and at E.ON Connecting Energies. EBITDA rose in France owing to a reduction in controllable costs and a wider gross margin and in Romania owing to a wider gross margin in the distribution network business (which was partially mitigated by a narrower margin in the sales business) and to cost-cutting measures. E.ON Connecting Energies recorded higher earnings because of the consolidation of a service provider in the United Kingdom and a company that generates power and heat for a business park in Russia.

Non-EU Countries

Non-EU Countries' EBITDA declined by 18 percent, or €94 million.

Non-EU Countries

	EBITDA[1]		EBIT[1]	
€ in millions	2014	2013	2014	2013
Russia (RUB in millions)	517 (26,361)	687 (29,021)	371 (18,936)	492 (20,756)
Other Non-EU Countries	-78	-154	-78	-154
Total	**439**	**533**	**293**	**338**

[1]Adjusted for extraordinary effects.

The Russia unit's EBITDA was 25 percent below the prior-year level. The principal reasons were adverse currency-translation effects and a narrower gross margin resulting from higher fuel costs. In local currency EBITDA was 9 percent lower.

EBITDA at Other Non-EU Countries consists of our activities in Brazil and Turkey, which are accounted for under the equity method. The negative figure recorded for Turkey is primarily attributable to high financing costs, low hydro output, and high power procurement costs. Earnings in Brazil mainly reflect negative finance earnings.

Net Income

Owing mainly to significantly higher impairment charges and lower proceeds from disposals, in 2014 we recorded a net loss attributable to shareholders of E.ON SE of -€3.2 billion and corresponding earnings per share of -€1.64. The respective prior-year figures of €2.1 billion and €1.10 reflect substantial book gains.

Our economic interest expense improved mainly because of the positive development of our net financial position along with the reversal of provisions. Our interest expense not affecting net income deteriorated, in particular because of expenditures in conjunction with the early repurchase of bonds above their nominal value.

Net Income € in millions	2014	2013
EBITDA[1]	**8,337**	**9,191**
Depreciation and amortization	-3,553	-3,467
Impairments (-)/Reversals (+)[2]	-120	-100
EBIT[1]	**4,664**	**5,624**
Economic interest income (net)	-1,612	-1,874
Net book gains/losses	589	2,004
Restructuring/cost-management expenses	-133	-182
E.ON 2.0 restructuring expenses	-363	-368
Impairments (-)/Reversals (+)[2, 3]	-5,409	-1,643
Other non-operating earnings	-115	-482
Income/Loss (-) from continuing operations before taxes	**-2,379**	**3,079**
Income taxes	-576	-718
Income/Loss (-) from continuing operations	**-2,955**	**2,361**
Income from discontinued operations, net	-175	98
Net loss/income	**-3,130**	**2,459**
Attributable to shareholders of E.ON SE	*-3,160*	*2,091*
Attributable to non-controlling interests	*30*	*368*

[1]Adjusted for extraordinary effects.
[2]Impairments differ from the amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets.
[3]Recorded under non-operating earnings.

Economic Interest Expense € in millions	2014	2013
Interest expense shown in the Consolidated Statements of Income	-1,810	-1,992
Interest income (-)/expense (+) not affecting net income	198	118
Total	**-1,612**	**-1,874**

Net book gains were €1.4 billion below the high prior-year figure. In 2014 they were recorded primarily on the sale of securities and a gas utility in Germany, a majority stake in a gas company in Czechia, a stake in a gas company in Finland, certain micro heat production plants in Sweden, and network segments in Germany. The prior-year figure consists in particular of book gains on the sale of certain hydroelectric assets in Bavaria to Austria's Verbund AG in conjunction with our market entry in Turkey as well as on the sale of E.ON Thüringer Energie, a stake in Slovakian energy company SPP, a minority stake in JMP in Czechia, operations in Finland, and securities, network segments, and a gas subsidiary in Germany.

Restructuring and cost-management expenditures including expenditures in conjunction with E.ON 2.0 declined by €54 million and, as in the prior year, resulted mainly from cost-cutting programs.

In 2014 and 2013 our global and regional units were adversely affected by a generally deteriorated business environment, altered market assessments, and regulatory intervention. We therefore had to record impairment charges totaling approximately €5.5 billion at Generation (€4.3 billion, mainly in the United Kingdom, Sweden, and Italy), Non-EU Countries (€0.5 billion), Exploration & Production (€0.4 billion), Renewables (€0.2 billion), and Global Commodities (€0.1 billion) in 2014. These charges were partially offset by reversals of impairment charges of €0.1 billion at Generation, Renewables, and Global Commodities. In 2013 we recorded impairment charges in particular at Generation, Renewables, Global Commodities, Exploration & Production, and Non-EU Countries.

Other non-operating earnings include the marking to market of derivatives. We use derivatives to shield our operating business from price fluctuations. Marking to market at year-end 2014 resulted in a positive effect of €540 million compared with €777 million at the year-end 2013. In addition, non-operating earnings were adversely affected in 2014 by impairment charges on gas inventories, securities, and operations at Non-EU Countries and by expenditures in conjunction with bond buybacks. In 2013 other non-operating earnings were adversely affected by provisions recorded at our gas business in conjunction with disposals and long-term supply contracts and by impairment charges on securities.

Our tax expense was €0.6 billion compared with €0.7 billion in the prior year. Despite our pretax net loss, we did record a tax expense in 2014 and thus had a negative tax rate of 24 percent (prior year: 23 percent). Impairment charges are not tax-deductible and therefore did not reduce our tax expense in 2014. In addition, our tax expense mainly reflects changes in the value of deferred tax assets and tax revenue for prior years. Significant tax-free net book gains served to reduce our tax rate in 2013.

Income/Loss from discontinued operations, net, includes the earnings of the Italy and Spain regional units and the earnings from contractual obligations of operations that have already been sold. Pursuant to IFRS, these earnings are reported separately in the Consolidated Statements of Income.

Underlying Net Income

Net income reflects not only our operating performance but also special effects, such as the marking to market of derivatives. Underlying net income is an earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude certain special effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and non-controlling interests) of a special or rare nature. Underlying net income also excludes income/loss from discontinued operations (after taxes and non-controlling interests), as well as special tax effects.

Underlying Net Income

€ in millions	2014	2013
Net income attributable to shareholders of E.ON SE	-3,160	2,091
Net book gains/losses	-589	-2,004
Restructuring/cost-management expenses	496	550
Impairments/reversals of impairments	5,409	1,643
Other non-operating earnings	115	482
Taxes and non-controlling interests on non-operating earnings	-953	-466
Special tax effects	113	-78
Income/Loss from discontinued operations, net	181	-92
Underlying net income	**1,612**	**2,126**

Financial Situation

E.ON presents its financial condition using, among other financial measures, economic net debt and operating cash flow.

Finance Strategy

The central components of E.ON's finance strategy are capital-structure management and our dividend policy.

We manage E.ON's capital structure using our debt factor in order to ensure that E.ON's access to capital markets is commensurate with its current debt level. Debt factor is equal to our economic net debt divided by EBITDA; it is therefore a dynamic debt metric. Economic net debt includes not only our financial liabilities but also our provisions for pensions and asset-retirement obligations. As part of implementing our new strategy, we will review our medium-term debt factor target to reflect our new business profile after the spinoff of the New Company. We aim for any potential change in E.ON's rating due to the new setup in two companies to be limited to one notch.

The second key component of our finance strategy is a consistent dividend policy. In view of E.ON's new strategy and the related foreseeable uncertainties, management will recommend paying shareholders a fixed dividend of €0.50 per share for both the 2014 and 2015 financial years. For the 2014 financial year this corresponds to a payout ratio of 60 percent of underlying net income, which is within our original target range of 50 to 60 percent. Furthermore, shareholders will again be offered the option to exchange the cash dividend partially into E.ON SE shares (currently held as treasury shares).

Financial Position

At the end of 2014 E.ON's financial liabilities declined by €3.1 billion to €19.7 billion relative to year-end 2013, mainly because of the early repurchase of certain bonds with a total nominal value of €1.2 billion and the on-schedule repayment of bonds, which were not refinanced owing to E.ON's liquidity situation.

Compared with the figure recorded at December 31, 2013 (€32.2 billion), our economic net debt increased by €1.2 billion to €33.4 billion. Although our high positive operating cash flow and the proceeds from divestments exceeded investment expenditures and E.ON SE's dividend payout and led to an improvement in our net financial position, our economic net debt deteriorated, in particular because of an increase in provisions for pensions, which rose by €2.2 billion to €5.6 billion, mainly owing to declining discount rates.

Economic Net Debt

€ in millions	December 31 2014	December 31 2013
Liquid funds	6,067	7,814
Non-current securities	4,781	4,444
Financial liabilities	-19,667	-22,724
FX hedging adjustment	34	-46
Net financial position	**-8,785**	**-10,512**
Provisions for pensions	-5,574	-3,418
Asset-retirement obligations[1]	-19,035	-18,288
Economic net debt	**-33,394**	**-32,218**
EBITDA[2]	8,337	9,191
Debt factor	**4.0**	**3.5**

[1]Less prepayments to Swedish nuclear fund.
[2]Adjusted for extraordinary effects.

Our debt factor at year-end 2014 increased to 4 (year-end 2013: 3.5) owing to our lower EBITDA and higher economic net debt.

Funding Policy and Initiatives

Our funding policy is designed to give E.ON access to a variety of financing sources at any time. We achieve this objective by basing our funding policy on the following principles. First, we use a variety of markets and debt instruments to maximize the diversity of our investor base. Second, we issue bonds with terms that give our debt portfolio a balanced maturity profile.

Third, we combine large-volume benchmark issues with smaller issues that take advantage of market opportunities as they arise. As a rule, external funding is carried out by our Dutch finance subsidiary, E.ON International Finance B.V., under guarantee of E.ON SE or by E.ON SE itself, and the funds are subsequently on-lent in the Group. As part of liquidity management, in July 2014 E.ON repurchased certain bonds with a total nominal value of €1 billion ahead of schedule. In 2014 E.ON also repurchased a privately placed bond in the amount of €0.2 billion. In October 2014 E.ON issued, through E.ON Beteiligungen GmbH, a €113 million exchangeable bond for shares of Swiss energy company BKW Energie AG; the bond has a coupon rate of 0 percent per year and a negative interest yield. Beyond this, E.ON issued no new bonds in 2014.

Financial Liabilities

€ in billions	Dec. 31, 2014	Dec. 31, 2013
Bonds[1]	14.3	18.1
EUR	*7.1*	*10.4*
GBP	*4.4*	*4.4*
USD	*2.5*	*2.2*
CHF	*–*	*0.6*
SEK	*–*	*0.1*
JPY	*0.2*	*0.3*
Other currencies	*0.1*	*0.1*
Promissory notes	0.6	0.7
Commercial paper	0.4	0.2
Other liabilities	4.4	3.7
Total	**19.7**	**22.7**

[1]Includes private placements.

With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE and E.ON International Finance B.V.'s currently outstanding bonds were issued under our Debt Issuance Program ("DIP"). The DIP enables us to issue debt to investors in public and private placements. In April 2014 it was extended, as planned, for one year. The DIP has a total volume of €35 billion, of which about €12 billion was utilized at year-end 2014.

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term liabilities. We had €401 million in CP outstanding at year-end 2014 (prior year: €180 million).

E.ON also has access to an originally five-year, €5 billion syndicated revolving credit facility, which was concluded with 24 banks on November 6, 2013, and which includes two options to extend the facility, in each case for one year. In 2014 E.ON exercised the first option and extended the facility for one year to 2019. This facility has not been drawn on and instead serves as a reliable, ongoing general liquidity reserve for the E.ON Group. Participation in the credit facility indicates that a bank belongs to E.ON's core group of banks.

Alongside financial liabilities, E.ON has, in the course of its business operations, entered into contingencies and other financial obligations. These include, in particular, guarantees, obligations from legal disputes and damage claims, current and non-current contractual, legal, and other obligations. Notes 26, 27, and 31 to the Consolidated Financial Statements contain more information about E.ON's bonds as well as liabilities, contingencies, and other commitments.

Standard & Poor's ("S&P") long-term rating for E.ON is A-, Moody's is A3. The short-term ratings are A-2 (S&P) and P-2 (Moody's). After E.ON announced that it intends to spin off a majority stake in a New Company consisting of its conventional upstream and midstream businesses, in December 2014 both rating agencies placed E.ON under review for a downgrade.

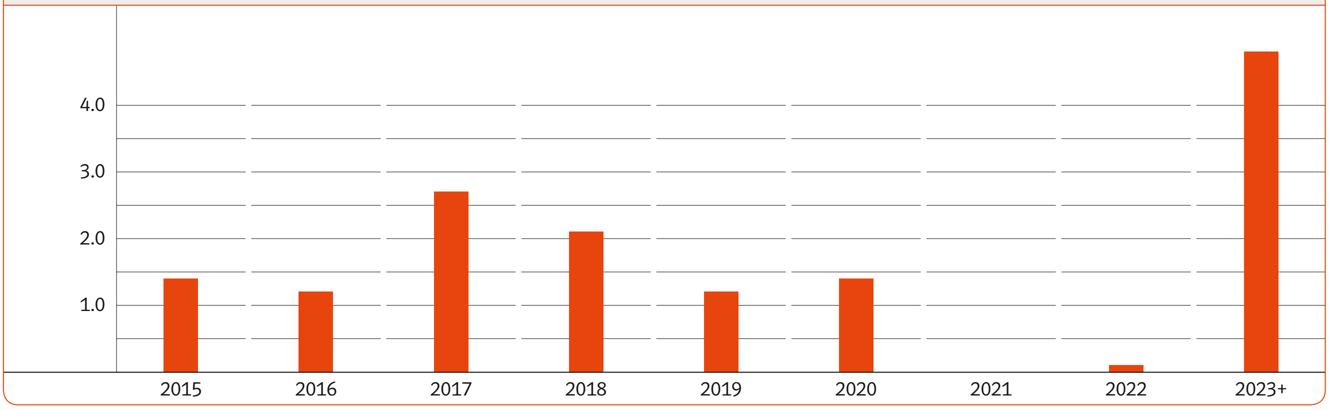
E.ON SE Ratings

	Long term	Short term	Outlook
Moody's	A3	P-2	review for downgrade
S&P	A-	A-2	creditwatch negative

Providing rating agencies and bond investors with timely, comprehensive information is an important component of our creditor relations. The purpose of our creditor relations is to earn and maintain our investors' trust by communicating a clear strategy with the highest degree of transparency. To achieve this purpose, we regularly hold debt investor updates in major European financial centers, conference calls for debt analysts and investors, and informational meetings for our core group of banks.

Maturity Profile of Bonds and Promissory Notes Issued by E.ON SE, E.ON International Finance B.V., and E.ON Beteiligungen GmbH

€ in billions — December 31, 2014



Investments

Our investments of €4.6 billion were €3.4 billion below the prior-year level. We invested about €4 billion in property, plant, and equipment ("PP&E") and intangible assets (prior year: €4.5 billion). Share investments totaled €0.6 billion versus €3.5 billion in the prior year. Our investments outside Germany declined by 48 percent to €3.4 billion (prior year: €6.5 billion).

Investments

€ in millions	2014	2013	+/- %
Generation	862	1,067	-19
Renewables	1,222	861	+42
Global Commodities	115	151	-24
Exploration & Production	64	404	-84
Germany	745	1,013	-26
Other EU Countries	879	969	-9
Non-EU Countries	703	3,530	-80
Group Management/ Consolidation	43	-3	–
Total	**4,633**	**7,992**	**-42**
Maintenance investments	*811*	*774*	*+5*
Growth and replacement investments	*3,822*	*7,218*	*-47*

Generation invested €205 million less than in the prior year. Investments in PP&E and intangible assets declined by €198 million, from €1,059 million to €861 million. Overhaul work to extend the operating life of unit 2 at Oskarshamn nuclear power station in Sweden, environmental-protection measures at Ratcliffe power station in the United Kingdom, the new generating unit being built at Maasvlakte power station in the Netherlands, and the conversion of unit 4 at Provence power station to burn biomass were among the major projects.

Investments at Renewables rose by €361 million. Hydro's investments increased by 7 percent to €107 million. Wind/Solar/Other's investments increased substantially, from €861 million to €1,222 million. The higher figure for 2014 principally reflects investments for the construction of three large wind farms in Germany, the United Kingdom, and the United States.

Global Commodities invested €36 million less than in the prior year. The decline mainly reflects lower investments in the gas storage business (because a number of projects were completed) and in gas infrastructure.

Exploration & Production invested €340 million less than in the prior year, primarily because of lower investments in Skarv, Babbage, Njord, Tolmount, Johnston, and Rita fields.

The Germany regional unit's investments declined by €268 million owing to extraordinary effects in 2013: on the one hand, the prior-year acquisition of a 49-percent stake in the joint venture that owns 100 percent of the equity in E.ON Energy from Waste; on the other, the above-mentioned disposals. Investments in PP&E and intangible assets totaled €727 million in 2014. Of these investments, €648 million went toward the network business, €56 million toward the district-heating business, and €23 million toward other activities. Share investments totaled €17 million.

Investments at Other EU Countries were €90 million below the prior-year level. By implementing municipal and smart-meter projects, the UK regional unit invested €121 million, up from the prior-year figure of €106 million. The Sweden unit's investments of €331 million were €73 million below the prior-year figure of €404 million; investments served to maintain and expand distributed generation and to expand and upgrade the distribution network, including adding new connections. Investments in Czechia declined from €163 million to €141 million owing to the derecognition of a majority-held equity interest in the first quarter of 2014. The Hungary regional unit invested €102 million (prior year: €117 million) in power and gas infrastructure. Investments in the remaining EU countries increased from €179 million to €184 million. The change mainly reflects higher network investments in Romania and a large heating project in the Netherlands.

The Russia unit accounted for €347 million (prior year: €360 million) of the investments at Non-EU Countries. These were primarily for Russia's new-build program. We invested €356 million (€3,170 million) in our operations in Brazil and Turkey, of which €135 million is attributable to the acquisition of a 50-percent stake in Pecém II, a coal-fired power plant in Brazil. The high prior-year figure is mainly attributable to the acquisition of a share investment in Turkey. This investment was largely covered by the proceeds on the sale of certain hydroelectric assets in Bavaria to Austria's Verbund AG in exchange for the stake in the operations in Turkey.

We plan to invest €4.3 billion in 2015. This includes investments in distribution networks in Germany and Sweden, in renewables (mainly wind power), and in ongoing generation new-build projects such as at Berezovskaya GRES, a power station in Russia. The investment plan in the Forecast Report presents our principal investment obligations.

Cash Flow

Our operating cash flow of €6.3 billion was at the prior-year level, as were cash-effective earnings and working capital; the latter benefited from the successful implementation of our Working Capital Excellence project.

Cash provided by investing activities of continuing operations amounted to approximately -€3.3 billion compared with -€0.6 billion in the prior year. In executing our divestment program we recorded substantial cash inflows—€6.5 billion—on the sale of share investments in the prior year. These were not matched in the current year by the €2.2 billion in cash inflows on the sale of share investments at Renewables, Global Commodities, Germany, and Czechia, resulting in a roughly 66-percent year-on-year decline. Cash inflows on the sale of intangible assets and property, plant, and equipment were also lower, declining by €0.3 billion. This significant decline in cash inflows from divestments was accompanied by a reduction of €3.4 billion in our investments relative to the prior-year level, which mainly reflected share investments to acquire and/or expand new operations in Turkey and Brazil. Altogether, cash outflows for intangible assets, property, plant, and equipment, and share investments declined by 42 percent year on year. Cash outflows from changes in securities and fixed-term deposits and changes in restricted cash were €1.5 billion higher than in the prior year.

Cash provided by financing activities of continuing operations amounted to -€4.6 billion (prior year: -€4 billion). The €1.9 billion increase in the net repayment of financial liabilities was partially offset by the roughly €1.3 billion decline in the dividend payout relative to the prior year.

Liquid funds at December 31, 2014, were €6,067 million (prior year: €7,814 million). In 2014 E.ON had €1,064 million of cash and cash equivalents subject to a restraint risk (prior year: €639 million). In addition, the current securities of Versorgungskasse Energie contained €265 million (€81 million) earmarked for fulfilling insurance obligations (see Notes 18 and 31 to the Consolidated Financial Statements).

Asset Situation

Non-current assets at year-end 2014 were 13 percent below the figure at year-end 2013, mainly because of the reclassification of assets at operations in Italy and Spain as assets held for sale. In addition, we recorded impairment charges, in particular on property, plant, and equipment ("PP&E"). Scheduled depreciation charges were more than offset by investments in PP&E and share investments.

Current assets increased by 16 percent. Alongside the reclassification of assets at operations in Italy and Spain as assets held for sale, the change mainly reflects an increase in receivables on derivative financial instruments. These factors were offset to a slight degree by a reduction in operating receivables.

Our equity ratio at year-end 2014 was below the level at year-end 2013. The decline resulted mainly from the net loss, the revaluation of performance-based benefit plans, a reduction in assets and liabilities resulting from currency-translation effects in the amount of €2.2 billion, and the dividend payout.

Non-current liabilities rose slightly from the figure at year-end 2013, owing mainly to higher provisions for pensions and other obligations (see Note 11 to the Consolidated Financial Statements) and higher liabilities on derivative financial instruments. The reclassification of certain non-current liabilities as liabilities of assets held for sale had a countervailing effect.

Current liabilities increased by 10 percent relative to year-end 2013, mainly because of an increase in liabilities on derivative financial instruments as well as the reclassification of debt in conjunction with assets held for sale. These effects were partially offset by the on-schedule repayment of bonds. Liabilities from operating receivables were lower as well.

The following key figures indicate E.ON's asset and capital structure:
- Non-current assets are covered by equity at 32 percent (December 31, 2013: 38 percent).
- Non-current assets are covered by long-term capital at 108 percent (December 31, 2013: 104 percent).

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2014	%	Dec. 31, 2013	%
Non-current assets	83,065	66	95,580	72
Current assets	42,625	34	36,750	28
Total assets	**125,690**	**100**	**132,330**	**100**
Equity	26,713	21	36,638	28
Non-current liabilities	63,335	51	63,179	47
Current liabilities	35,642	28	32,513	25
Total equity and liabilities	**125,690**	**100**	**132,330**	**100**

Additional information about our asset situation (including information on the above-mentioned impairment charges) is contained in Notes 4 to 26 to the Consolidated Financial Statements.

E.ON SE's Earnings, Financial, and Asset Situation

E.ON SE prepares its Financial Statements in accordance with the German Commercial Code, the SE Ordinance (in conjunction with the German Stock Corporation Act), and the German Energy Act.

Balance Sheet of E.ON SE (Summary)

€ in millions	December 31 2014	2013
Intangible assets and property, plant, and equipment	97	116
Financial assets	39,661	45,673
Non-current assets	**39,758**	**45,789**
Receivables from affiliated companies	19,979	16,969
Other receivables and assets	2,265	1,688
Liquid funds	2,330	3,020
Current assets	**24,574**	**21,677**
Total assets	**64,332**	**67,466**
Equity	15,307	14,696
Provisions	3,359	4,270
Liabilities to affiliated companies	43,178	46,762
Other liabilities	2,488	1,738
Total equity and liabilities	**64,332**	**67,466**

E.ON SE is the parent company of the E.ON Group. As such, its earnings, financial, and asset situation is affected by income from equity interests. In 2014 income from equity interests in particular reflected a profit transfer of €3,811 million from E.ON Beteiligungen GmbH and the €2,539 million portion of the capital reserve paid from E.ON Finanzanlagen GmbH that affects net income. The main countervailing factors were loss transfers of €735 million from E.ON Iberia Holding GmbH and of €372 million from E.ON Russia Holding GmbH.

The negative figure recorded under other expenditures and income mainly reflects impairment charges of €2,056 million on our stake in E.ON Italia S.p.A.

The decline in interest income is mainly attributable to the €3,561 million portion of the capital-reserve payout from E.ON Finanzanlagen GmbH that does not affect net income and to the above-mentioned impairment charges of €2,056 million on our stake in E.ON Italia S.p.A..

Income Statement of E.ON SE (Summary)

€ in millions	2014	2013
Income from equity interests	4,646	3,145
Interest income	-742	-1,020
Other expenditures and income	-2,952	334
Income from continuing operations	**952**	**2,459**
Extraordinary expenses	-13	-22
Taxes	500	-645
Net income	**1,439**	**1,792**
Net income transferred to retained earnings	-473	-647
Net income available for distribution	**966**	**1,145**

The income taxes shown for 2014 yielded a positive figure and consist of tax income for previous years. Due to our loss situation from a tax perspective we incurred no income taxes for the 2014 financial year.

On February 18, 2015, E.ON SE paid €522 million into the capital reserve of E.ON Energie AG.

At the Annual Shareholders Meeting on May 7, 2015, management will propose that net income available for distribution be used to pay a cash dividend of €0.50 per ordinary share. Furthermore, shareholders will again be offered the option to exchange the cash dividend partially into E.ON SE shares (currently held as treasury shares).

The complete Financial Statements of E.ON SE, with the unqualified opinion issued by the auditor, Pricewaterhouse-Coopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Düsseldorf, will be announced in the *Bundesanzeiger*. Copies are available on request from E.ON SE and at www.eon.com.

Financial and Non-financial Performance Indicators

ROACE and Value Added

Cost of Capital

The cost of capital is determined by calculating the weighted-average cost of equity and debt. This average represents the market-rate returns expected by stockholders and creditors. The cost of equity is the return expected by an investor in E.ON stock. The cost of debt equals the long-term financing terms that apply in the E.ON Group. The parameters of the cost-of-capital determination are reviewed on an annual basis.

Our review of the parameters in 2014 led us to make minor adjustments to our cost of capital. The E.ON Group's after-tax cost of capital declined from 5.5 to 5.4 percent. The table below shows the derivation of cost of capital before and after taxes.

Cost of Capital

	2014	2013
Risk-free interest rate	2.5%	2.5%
Market premium[1]	5.5%	5.5%
Debt-free beta factor	0.57	0.59
Indebted beta factor[2]	0.99	1.02
Cost of equity after taxes	**7.9%**	**8.1%**
Average tax rate	27%	27%
Cost of equity before taxes	10.8%	11.1%
Cost of debt before taxes	3.9%	3.9%
Marginal tax rate	27%	27%
Cost of debt after taxes	**2.8%**	**2.8%**
Share of equity	50.0%	50.0%
Share of debt	50.0%	50.0%
Cost of capital after taxes	**5.4%**	**5.5%**
Cost of capital before taxes	**7.4%**	**7.5%**

[1]The market premium reflects the higher long-term returns of the stock market compared with German treasury notes.
[2]The beta factor is used as an indicator of a stock's relative risk. A beta of more than one signals a higher risk than the risk level of the overall market; a beta factor of less than one signals a lower risk.

Analyzing Value Creation by Means of ROACE and Value Added

Alongside EBITDA, our most important earnings figure for purposes of internal management control, we use ROACE and value added to monitor the value performance of our operating business. ROACE is a pretax total return on capital. It measures the sustainable return on invested capital generated by operating a business. ROACE is defined as the ratio of our EBIT to average capital employed.

Average capital employed represents interest-bearing invested capital. Capital employed is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Depreciable assets are recorded at half of their original acquisition or production cost. ROACE is therefore not affected by an asset's depreciation period. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value. Changes to E.ON's portfolio during the course of the year are factored into average capital employed.

Average capital employed does not include the marking to market of other share investments. The purpose of excluding this item is to provide us with a more consistent picture of our ROACE performance.

Value added measures the return that exceeds the cost of capital employed. It is calculated as follows:

Value added = (ROACE – cost of capital) x average capital employed

ROACE and Value Added Performance in 2014

The significant decline in our ROACE, from 9.2 to 8.5 percent, is primarily attributable to the decline in our EBIT. Our average capital employed declined significantly as well owing to disposals and shutdowns that were not offset by ongoing investments. At 8.5 percent, however, our ROACE still surpassed our pretax cost of capital, which declined relative to the prior year. As a result, value added amounted to €0.6 billion.

The table below shows the E.ON Group's ROACE, value added, and their derivation.

E.ON Group ROACE and Value Added

€ in millions	2014	2013
EBIT[1]	**4,664**	**5,624**
Goodwill, intangible assets, and property, plant, and equipment[2]	56,555	62,298
+ Shares in affiliated and associated companies and other share investments	6,582	7,618
+ Inventories	3,356	4,147
+ Other non-interest-bearing assets, including deferred income and deferred tax assets	-1,724	-6,673
- Non-interest-bearing provisions[3]	6,381	6,451
- Adjustments[4]	7,887	1,859
Capital employed in continuing operations (at year-end)	**50,501**	**59,080**
Capital employed in continuing operations (annual average)[5]	**54,791**	**61,244**
ROACE	**8.5%**	**9.2%**
Cost of capital before taxes	**7.4%**	**7.5%**
Value added	**609**	**1,031**

[1]Adjusted for extraordinary effects.
[2]Depreciable assets are included at half their acquisition or production costs. Goodwill represents final figures following the completion of the purchase-price allocation (see Note 4 to the Consolidated Financial Statements).
[3]Non-interest-bearing provisions mainly include current provisions, such as those relating to sales and procurement market obligations. They do not include provisions for pensions or for nuclear-waste management.
[4]Capital employed is adjusted to exclude the mark-to-market valuation of other share investments, receivables and liabilities from derivatives, and operating liabilities for certain purchase obligations to minority shareholdings pursuant to IAS 32.
[5]In order to better depict intraperiod fluctuations in average capital employed, annual average capital employed is calculated as the arithmetic average of the amounts at the beginning of the year and the end of the year.

Corporate Sustainability

Our many stakeholders—customers and suppliers, policymakers and government agencies, the general public and the media, environmental groups and charitable organizations, employees and trade unions, business partners and competitors, and of course our investors—have high expectations for us and our industry. E.ON is expected to achieve three energy objectives simultaneously: to make sure that the energy we supply is 1) secure and reliable, 2) friendly to the environment and the earth's climate, and 3) affordable for both our industrial and residential customers. We are expected to treat our employees, customers, and neighbors responsibly and to demand that our supply chain meets high standards for environmental and social performance.

Our new strategy—"Empowering customers. Shaping markets."—will enable us to address these challenges even more effectively. It will create two sharply focused companies, each of which will be better able to meet its stakeholders' expectations. We believe that this will, over the long term, have a positive impact on the business performance of both companies. As in the past, the new strategy will ensure that both companies conduct sound corporate governance and embed environmental and social performance in their business processes. In dialog with our stakeholders we have defined the main challenges we face and set targets for addressing them. The challenges and targets are cataloged in our sustainability work program. Our online Sustainability Report provides periodic updates on the status of our work program. In light of our new strategy, the Sustainability Governance Council is developing a new work program that reflects the respective focus areas of the future E.ON and the New Company.

We publish an annual online Sustainability Report, which is prepared in accordance with the guidelines of the Global Reporting Initiative. It provides comprehensive information about those aspects of our sustainability performance that are most important to our company and our stakeholders. It describes the various impacts of our business operations, articulates our position on these impacts, and explains the actions we take to manage them. It presents quantifiable results and generally makes our sustainability efforts as transparent as possible.

Our commitment to transparency includes subjecting our sustainability performance to independent, detailed assessments by specialized agencies and investment-bank analysts. The results of these assessments provide important guidance to investors and to us. They indicate our strengths and weaknesses, which helps us prioritize our efforts. Although E.ON missed being listed in the 2014 Dow Jones Sustainability Indices Europe and World by a small margin, we improved our ranking in the Carbon Disclosure Project, which evaluates companies' climate-protection efforts. E.ON continues to be listed in the Euronext Vigeo-120 sustainability index and is included in Energy Intelligence's Top 100 Green Utilities ranking. In an assessment of the transparency of the corporate reporting of the world's 124 largest companies, Transparency International ranked E.ON in the top ten in the overall evaluation.

In 2013 E.ON began the process of conducting systematic water management. Our goal is to establish, by the end of 2015, minimum standards that comply with the UN CEO Water Mandate. The standards would apply to approvals processes, costs, water availability, water intake, water discharge, and our supply chain. The UN CEO Water Mandate is an internationally recognized voluntary agreement as well as a network of organizations dedicated to improving water management worldwide. In this regard, it is similar to the UN Global Compact, whose ten principles E.ON has endorsed for many years.

E.ON takes very seriously the obligations on states and companies contained in the UN Guiding Principles on Business and Human Rights, which set global standards and contain measures to prevent and remedy human rights violations. After carefully familiarizing ourselves with the UN Guiding Principles and their implementation, we are now in the process of identifying and analyzing potential risks that our business activities may pose in this area. The next step will be to revise our corporate guidelines and, if necessary, to adjust our management processes. In addition, we are participating in a multi-stakeholder initiative to design a German national action plan for business and human rights. The two-year initiative is being conducted by the German federal government under the direction of the Federal Foreign Office.

In late 2014 the International Hydropower Association ("IHA") conducted an assessment of Selma, an E.ON hydroelectric station in Sweden where the old plant is being replaced by a new one. In accordance with the IHA's Hydropower Sustainability Assessment Protocol, the assessment included an on-site visit to Selma and extensive discussions with stakeholders. The assessment will help us identify where our procedures deviate from leading practice and improve our planning processes. The results of the assessment will be made public, which will enable anyone interested in these issues to learn about our sustainability performance at Selma.

More information about our sustainability strategy and our performance is available at www.eon.com, where you will also find our new Sustainability Report, which will be released in early May 2015. It is not part of the Combined Group Management Report.

Carbon Emissions and Intensity

Emissions data for our power and heat generation are segmented by country in accordance with the EU Emissions Trading Scheme. This differs from the segmentation for the rest of our reporting.

Carbon Emissions from Power and Heat Generation

2014 Million metric tons	CO_2 emissions
Germany	27.5
United Kingdom	12.9
Spain	3.8
France	2.8
Italy	5.4
Other EU countries	10.2
E.ON Group (Europe only)	**62.6**
Russia[1]	33.1
E.ON Group	**95.7**

[1]Russia is not covered by the EU Emissions Trading Scheme.

E.ON Group Carbon Intensity[1]		
Metric tons of CO_2 per MWh	2014	2013
Germany	0.38	0.40
United Kingdom	0.53	0.58
Spain	0.62	0.57
France	0.71	0.83
Italy	0.47	0.45
Other EU countries	0.28	0.29
E.ON Group (Europe only)[2]	**0.41**	**0.44**
Russia	0.55	0.55
E.ON Group[3]	**0.43**	**0.45**

[1]Specific carbon emissions are defined as the amount of CO_2 emitted for each MWh of electricity generated.
[2]Includes renewables generation in Europe.
[3]Includes renewables generation outside Europe (wind power in the United States).

E.ON emitted 96 million metric tons of carbon dioxide from power and heat generation in 2014, of which 63 million metric tons were in Europe. This represents a significant decline—16 percent—relative to 2013. It results from the fact that in 2014 we produced less power and had a lower-carbon generation mix , thanks to a slightly higher proportion of renewables and nuclear and a decline in coal-fired generation. Starting in 2013, energy suppliers are no longer allocated EU emission allowances at no cost to cover their power generation operations. They are only allocated allowances for a portion of the heat they cogenerate. They must buy allowances to cover their remaining carbon emissions in the EU. Overall, our carbon intensity declined to 0.43 metric tons per MWh owing to the above-described factors. It remains our objective to halve our carbon intensity in Europe, which we will achieve by 2025 by continuing to adjust our generation mix.

Use of Net Value Added

E.ON is not only a reliable energy supplier. We are also a mainstay of economic development and individual prosperity in the regions and communities where we operate. Our company's overall financial contribution is significant. We measure it by means of net value added. This figure is the sum of the value we add to our employees (wages, salaries, benefits), government entities (taxes), lenders (interest payments), and minority shareholders (minority interests' share of our earnings). In addition, we pay out a portion of our total earnings as a dividend to our shareholders.

Our personnel expenses of €4.1 billion, which represented the largest component of net value added, declined by 10 percent relative to 2013 owing to disposals and our E.ON 2.0 efficiency-enhancement program. E.ON shows €0.3 billion in taxes for 2014, substantially less than the €1.8 billion shown for 2013. Beyond tax payments, many communities received concession fees from E.ON companies.

Net Value Added			
€ in millions	Use	2014	2013
Employees	Wages, salaries, benefits	4,121	4,604
Government entities	Income taxes, other taxes[1]	304	1,760
Lenders	Interest payments[2]	1,683	1,705
Minority interests	Minority interests' share of income from continuing operations	30	368
Shareholders	Dividends[3]	966	1,145

[1]Adjusted for deferred taxes; this item does not include additional government levies, such as concession fees.
[2]Does not include the accretion of non-current provisions; includes capitalized interest.
[3]Dividends are paid out of the value added from both continuing and discontinued operations.

Employees

People Strategy

An organization's business strategy and its products and services can be copied. What cannot be easily copied are an organization's people, its culture, and its competencies. The successful delivery of any business strategy depends on an organization having available appropriately qualified and motivated employees as well as a strong and diverse talent pipeline.

Great companies execute their People Strategy with the same energy and determination they apply to their business strategy. A key success factor is for HR functions to be business-integrated.

In developing our People Strategy, we therefore placed great emphasis on obtaining and incorporating input and feedback from board members and senior management of all E.ON units. Our People Strategy was designed by E.ON HR's leadership team as well as by employee representatives. It is the result of an extensive development process and enjoys broad support across our organization.

We have adopted an 80/20 approach to ensure that People Strategy adequately reflects the particularities of individual E.ON units. Under this approach the E.ON Group People Strategy addresses issues that are relevant to all of our employees. This accounts for about 20 percent of activities.

Eighty percent of all activities are derived from the respective local People Strategies that were developed by each unit in light of its particular situation and regional trends.

The goal of our People Strategy is to enhance our people's performance and leadership to power business success.

Our People Strategy, which sets the frame for our HR work programs of the next three to five years, has three key success factors. Preparing our People for the Future, Providing Opportunities, and Recognizing Performance. Open Thinking, Engagement, and Never Complacent were identified as HR focus areas that will support the success factors.

Our People Strategy is delivered by HR staff at all our units and in all our regions. To support it through their interactions with all employees, HR staff are committed to being customer-oriented, continually improving HR services, working in partnership with employee representatives, and keeping things simple.

E.ON 2.0 and Restructuring

In 2014 we continued to implement the measures of E.ON 2.0, our Group-wide efficiency-enhancement program, on the basis of the respective codetermination processes agreed on with the employee representatives of each country where E.ON operates.

Other organizational changes at our company were planned and initiated in close consultation with employee representatives. The employee-related aspects of these measures are subject to existing E.ON 2.0 mechanisms.

Our HR work in 2015 will focus on preparing to implement the measures related to E.ON's new strategy, "Empowering customers. Shaping markets." Management has already concluded a framework agreement with the E.ON SE Works Council and the Group Works Council. In particular, the agreement lays down the principles for the employee-related aspects of the strategy's implementation and for the involvement of employee representatives at the Group and country level.

Collaborative Partnership with Employee Representatives

E.ON places a strong emphasis on working with employee representatives as partners. This collaborative partnership is integral to our corporate culture. At a European level, E.ON management works closely with the E.ON SE Works Council, whose members come from all European countries in which E.ON operates. Under the SE Agreement, which was concluded in 2012, the E.ON SE Works Council is informed and consulted about all issues that transcend national borders.

Alongside the forms of codetermination required by law in European countries outside Germany, the involvement of employee representatives in these countries is fostered by the SE Agreement, by collaboration at the Group level, and by the Agreement on Minimum Standards for Restructuring Measures, which was concluded between management and the European Works Council (the forerunner of the SE Works Council) in 2010.

E.ON 2.0 included the adoption of a functionally oriented management model. In 2014 E.ON management and the Group Works Council concluded the Agreement on Future Social Partnership in the Context of the Functionally Oriented Management Model. The agreement, which stipulates the principles of the future social partnership at E.ON's operations in Germany, was the result of an unprecedented collaborative effort involving employee representatives and management from all levels of the company. It manifests a shared responsibility for the company and its employees and represents a special milestone in the history of codetermination at E.ON.

Talent Management

The purpose of our talent management is to hire highly qualified people and to continually foster our employee's personal and professional development. In 2014 E.ON's status as a top employer was again confirmed by prestigious rankings, such as "The Times Top 100 Graduate Employers," and by kununu, an employer-ranking platform.

The international E.ON Graduate Program remained one of the most coveted ways of joining our company. Participants are assigned a mentor, receive special training, and gain experience during rotations at different E.ON units in Germany and other countries. Eighty graduates entered the program in 2014. Their backgrounds and interests reflect the emphasis E.ON places on diversity:

- they will work in a wide range of job families (including engineering, IT, sales, finance, business development, and HR)
- they come from around the world (including the United Kingdom, Germany, India, Egypt, Tunisia, Costa Rica, Italy, Romania, Spain, and the Czech Republic)
- 38 percent are women.

The foundation of our strategic, needs-oriented talent management is the Management Review Process, which we conducted again in 2014. It helps ensure the continued professional development of individual managers and executives, our various units and job families, and the entire organization. It also creates transparency about our current talent situation and our needs for the future. In addition, we combined executive HR and our talent team into a Center of Competence for Talent, Executive, and Organizational Design so that we can take a holistic approach to talent management and identify top talents earlier in their career.

In 2014 we made noteworthy progress in internationalizing our talent pool. We added more job families to our High Potential Programs, which already have an international focus. We also improved our placement processes, which enabled us to fill more top management positions with talent drawn from other countries and other units.

Diversity

E.ON brings together a diverse team of people who differ by nationality, age, gender, religion, and/or cultural and social background. Diversity is a key success factor. Numerous studies have shown that heterogeneous teams outperform homogenous ones. Diversity is equally crucial in view of demographic trends. Going forward, only those companies that embrace diversity will be able to remain attractive employers and be less affected by the shortage of skilled workers. In June 2008 we publicly affirmed our long-standing commitment to fairness and respect by signing the *Charta der Vielfalt* (German Diversity Charter), which now has almost 2,000 signatories. E.ON therefore belongs to a large network of companies committed to diversity, tolerance, fairness, and respect.

Alongside age and internationality, gender is a special focus of our diversity management. Our ambitious objective for our organization as a whole is to more than double the percentage of women in executive positions and to raise it to 14 percent in Germany by the end of 2016.

We support the achievement of this objective through a variety of measures. Each unit has specific targets, and progress towards these targets is monitored at regular intervals. We have also revised our Group-wide guidelines for filling management positions. At least one male and one female must be considered as potential successors for each vacant management position. Many units also have support mechanisms in place, including mentoring programs for female managers and next-generation managers, the provision of daycare, flexible work schedules, and home-office arrangements. Significantly increasing the percentage of women in our internal talent pool is a further prerequisite for raising, over the long term, their percentage in management and top executive positions.

Many of these measures are already having an impact. Our progress is receiving recognition outside our company as well. For example, E.ON received the Total E-Quality Seal for exemplary HR policies based on equal opportunity. In 2014 we achieved a further increase in the percentage of female executives, which rose to 15.8 percent across E.ON and 12.6 percent in Germany. This means that we reached our targets for 2015 and 2014, respectively.

Workforce Figures

At year-end 2014 the E.ON Group had 58,503 employees worldwide, a decline of 5 percent from year-end 2013. E.ON also had 1,400 apprentices in Germany and 181 board members and managing directors worldwide.

Employees[1]

	December 31		
	2014	2013	+/- %
Generation	8,016	8,757	-8
Renewables	1,723	1,675	+3
Global Commodities	1,249	1,449	-14
Exploration & Production	236	219	+8
Germany	11,749	12,345	-5
Other EU Countries	24,740	26,484	-7
Non-EU Countries	5,300	5,019	+6
Group Management/Other[2]	5,490	5,379	+2
Total	**58,503**	**61,327**	**-5**

[1]Does not include board members, managing directors, or apprentices.
[2]Includes E.ON Business Services.

Generation's headcount was lower due mainly to E.ON 2.0 staff reductions and power plant closures. These effects were partially counteracted by the hiring of apprentices as full-time employees.

Hiring in North America led to a slight increase in the number of employees at Renewables.

The main reason for the reduction in Global Commodities' headcount was the transfer of IT staff to support functions recorded under Group Management/Other. E.ON 2.0 staff reductions constituted another factor.

Exploration & Production added employees in Norway and the United Kingdom.

The headcount at the Germany regional unit was lower mainly because of E.ON 2.0 staff reductions. This was partially offset by the hiring of apprentices as full-time employees.

The decline in the number of employees at Other EU Countries is attributable to disposals in Czechia, business transfers in Romania, E.ON 2.0 staff reductions, and normal turnover.

Non-EU Countries consists only of our employees at our Russia unit, where the workforce increased because of hiring for a new-build project.

The number of employees at Group Management/Other rose owing to the centralization of support functions and the integration of IT functions formerly at Global Commodities despite the fact that E.ON 2.0 staff reductions, particularly in facility management functions, continued.

Geographic Profile

At year-end 2014, 36,213 employees, or 62 percent of all staff, were working outside Germany, slightly more than at year-end 2013.

Employees by Country[1]

			FTE	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Germany	22,290	23,629	21,640	22,924
United Kingdom	10,708	11,053	10,210	10,548
Romania	6,523	6,903	6,064	6,400
Russia	5,343	5,028	5,331	5,021
Hungary	4,704	4,842	4,701	4,838
Sweden	3,229	3,248	3,195	3,213
Czechia	2,460	3,066	2,443	3,027
France	703	797	702	796
Other[2]	2,543	2,761	2,512	2,730

[1]Figures do not include board members, managing directors, or apprentices.
[2]Includes Italy, Spain, the Netherlands, Poland, and other countries.

Gender and Age Profile, Part-Time Staff

At the end of 2014, 28.8 percent of our employees were women, slightly more than the figure of 28.6 percent at the end of 2013. The average E.ON Group employee was about 43 years old and had worked for us for about 14 years.

Employees by Age

Percentages at year-end	2014	2013
30 and younger	17	17
31 to 50	55	56
51 and older	28	27

A total of 4,413 E.ON Group employees were on a part-time schedule, of whom 3,202, or 73 percent, were women. The turnover rate resulting from voluntary terminations averaged 3.3 percent across the organization, lower than in the prior year.

Turnover Rate

Percentages	2014	2013
Generation	2.2	1.8
Renewables	4.9	4.5
Global Commodities	3.3	4.6
Exploration & Production	5.9	8.9
Germany	1.5	1.5
Other EU countries	3.9	4.3
Non-EU Countries	5.6	6.4
Group Management/Other[1]	3.9	4.8
E.ON Group	**3.3**	**3.5**

[1]Includes E.ON Business Services.

Occupational Health and Safety

Occupational health and safety have the highest priority at E.ON. A key performance indicator ("KPI") for our safety is total recordable injury frequency ("TRIF"), which measures the number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries per million hours of work. Our TRIF figures also include E.ON companies that are not fully consolidated but over which E.ON has operational control. E.ON employees' TRIF in 2014 was 2, a clear improvement from the 2.6 recorded in the prior year. Our units' safety performance is a component of the annual personal performance agreements of the Board of Management members and executives responsible for these units.

We use TRIF and other KPIs to monitor and continually improve our safety performance. To ensure continuous improvement, our units design health, safety, and environment ("HSE") improvement plans based on a management review of their performance in the prior year. The results of the implementation of these plans are also used as preventive performance indicators. Despite all our successes in occupational health and safety, it remains our objective to prevent accidents or other harmful effects on the health of our employees and contractors by consistently implementing uniform HSE management systems.

Compensation, Pension Plans, Employee Participation

Attractive compensation and appealing fringe benefits are essential to a competitive work environment. Company contributions to employee pension plans represent an important component of an employee's compensation package and have long had a prominent place in the E.ON Group. They are an important foundation of employees' future financial security and also foster employee retention. E.ON companies supplement their company pension plans with attractive programs to help their employees save for the future.

Another factor in employee retention is enabling them to participate in their company's success. Our employee stock purchase program in Germany includes a partially tax-free contribution from E.ON to encourage employees to purchase stock. In 2014, 11,621 employees in Germany purchased a total of 919,064 shares of E.ON stock. Although the participation rate declined slightly from 51 to 47 percent, the program remained popular. We have similar stock-purchase programs in a number of other countries.

Apprenticeships

E.ON continues to place great emphasis on vocational training for young people. The E.ON Group had 1,400 apprentices and work-study students in Germany at year-end 2014. This represented 5.9 percent of E.ON's total workforce in Germany, compared with 6.1 percent at the end of the prior year. Established in 2003 as part of a pact between industry and the German federal government, the E.ON training initiative to combat youth unemployment was extended for three more years and will now continue through 2017. In 2014 it helped more than 800 young people in Germany get a start on their careers through internships to prepare them for an apprenticeship as well as school projects and other programs.

Apprentices in Germany

	December 31	
Percentage of workforce	2014	2013
Germany	7.2	7.3
Generation	7.1	7.3
Global Commodities	1.4	2.0
Group Management/Other	2.2	2.2
Renewables	6.6	6.9
E.ON Group	**5.9**	**6.1**

Subsequent Events

In February 2015 the Italian Constitutional Court issued a ruling declaring that the energy tax surcharge, also known as the Robin Hood tax, is unconstitutional. The tax was introduced in 2008 to limit the corporate profits of energy companies. In its ruling the court stated explicitly that the repeal is not retroactive.

On February 19, 2015, E.ON sold its solar business in Italy to F2i SGR, a private infrastructure investment fund. The business consists of seven solar farms built between 2010 and 2013 with a total installed capacity of 49 MW. About 70 percent of the capacity is installed on Sardinia. E.ON and F2i SGR agreed not to disclose the purchase price.

Forecast Report

Business Environment

Macroeconomic Situation

The OECD considers it very likely that the global economy will grow at a moderate rate in 2015 and 2016. Growth will likely remain slower than prior to the financial crisis. Although the trend will generally be positive, the nuances will differ among the world's largest economies. The OECD sees more risks than opportunities in the next two years. Threats to the stability of the financial system and a lack of confidence in future growth represent key risks, particularly in the euro zone.

Growth prospects in the United States and the United Kingdom are good. Supportive monetary policy, less pressure to shrink government budgets, and rising confidence will help stabilize the U.S. economy. The euro zone will suffer from high unemployment but be supported by expansive monetary policy and less pressure on government budgets. It will also benefit from an improvement in its foreign trade position driven by a weaker euro and lower oil prices. No inflationary danger is seen for OECD countries. With growth continuing to stagnate, deflationary tendencies cannot be ruled out for the euro zone.

The sharp drop in the ruble's value is one of the factors that will erode economic confidence and exacerbate inflationary trends in Russia. Driven by domestic demand, Turkey's economy is expected to grow at a rate above the OECD average. Growth in Brazil will be dampened by infrastructure bottlenecks and high inflation.

The OECD considers the volatility of the financial system to be the main near-term risk and the debt crisis and monetary expansion to be the main medium-term risks. Looking further into the future, the OECD is concerned about the low growth of production potential, which indicates generally weak investment activity.

Energy Markets

We expect power and fuel markets to continue to be very sensitive to macroeconomic developments and policy decisions and therefore to be generally more volatile in 2015 and 2016.

In 2014 the oil market evolved from the backwardation typical of recent years to a contango pattern, with prices for nearby months lower than prices for forward months. The recent period of low prices is expected to reduce investments in new projects and to reduce output, since it may render some production unprofitable. In addition, the economic benefits of low oil prices are expected to spur demand, particularly in the transportation sector. However, this will be accompanied by the continued significant increase in production in non-OPEC countries (including unconventional production—tight oil and oil sands—in North America), which could actually more than offset the increase in demand in 2015 and 2016.

Coal producers, who suffered from declining prices in recent years, have benefited somewhat from the recent collapse of oil prices and the weakening of the currencies of key coal export countries, particularly the Russian ruble. But current price movements suggest that this situation will be of short duration and that soon the coal market will again face oversupply. In the near and medium term, coal prices will depend primarily on a possible recovery of oil prices and exchange rates. From a fundamental perspective, however, the market will likely continue to be oversupplied and only improve gradually in response to adjustments on the supply side.

In 2015 inventories at natural gas storage facilities are expected to be relatively high at the end of winter (as they were in 2014), unless there is a period of severely cold weather across Europe in what remains of the first quarter. The dramatic drop in oil prices is expected to cause a downward trend in the price of gas bought under oil-indexed procurement contracts. In view of these fundamentals, the gas market is expected to be particularly weak in the summer of 2015, and a further decline in prices appears possible.

During the next two years, the backloading process will probably remain the principal influence on prices for EU carbon allowances ("EUAs") under the European Emissions Trading Scheme. Backloading will continue to significantly reduce the number of EUAs that can be acquired through auctions, although the reduction will be smaller in 2015 than in 2014 and smaller still in 2016. Nevertheless, greater scarcity will put more pressure on the EUA market and will probably lead to further price increases. The policy debate about a market stability reserve will be another important price driver in the first half of 2015.

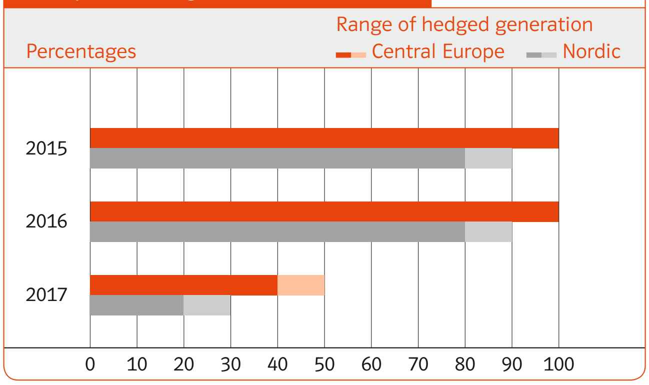
Near-term and medium-term power prices in Germany will continue to be determined largely by the price of hard coal and EUAs. However, the addition of more renewables capacity and numerous new, technologically advanced coal-fired power plants, which are scheduled to enter service in 2015, could put further downward pressure on prices. This trend will be resisted to some degree by the rise in Germany's exports of inexpensive renewables power, which supports domestic power prices, and by speculation about the possible closure of some coal-fired power plants due to environmental regulations.

Power prices for 2015 and 2016 in the United Kingdom will depend increasingly on developments in the gas market and on the increase in the carbon tax. The anticipated effects of the tax are that power imports from continental Europe will continue to rise and that domestic power production will come under increasing pressure.

In the near term, prices on the Nordic power market will continue to depend primarily on the weather and therefore on water reservoir levels. In the long term, the ongoing expansion of renewables will be a decisive factor. The expectation remains that it will put significant downward pressure on prices. The commissioning of the NordBalt cable between Sweden and Lithuania in 2016 is expected to result in closer price coupling between the Nordic and Baltic markets and higher net exports from the former to the latter.

Our power production for 2015 and 2016 is already almost completely hedged. Our hedging practices will, over time, serve to increase the hedge rate of subsequent years. As an example, the graph below shows the hedge rate for our Central and North European outright portfolio, which essentially consists of our non-fossil power production from nuclear and hydro assets.

European Outright Portfolio



Employees

The number of employees in the E.ON Group (excluding apprentices and board members/managing directors) will decline by year-end 2015 due to the continued implementation of E.ON 2.0.

Anticipated Earnings Situation

Forecast Earnings Performance

Our forecast for full-year 2015 earnings continues to be significantly influenced by the difficult business environment in the energy industry.

We expect our 2015 EBITDA to be between €7 and €7.6 billion.

We expect our 2015 underlying net income to be between €1.4 and €1.8 billion.

Our forecast by segment:

EBITDA[1]

€ in billions	2015 (forecast relative to prior year)	2014
Generation	significantly below	2.2
Renewables	slightly below	1.5
Global Commodities	significantly above	–
Exploration & Production	significantly below	1.1
Germany	significantly above	1.8
Other EU Countries	on par	1.7
Non-EU Countries	significantly below	0.4
Total	**7.0 – 7.6**	**8.3**

[1]Adjusted for extraordinary effects.

We expect Generation's 2015 EBITDA to be significantly below the prior-year figure. Price developments on the wholesale market will continue to be a negative factor. The early decommissioning of Grafenrheinfeld nuclear power station and the disposal of generating capacity in Italy and Spain will also have a negative impact on earnings.

We anticipate that Renewables' 2015 EBITDA will be slightly below the prior-year level. Wind/Solar/Other will benefit from an increase in installed generating capacity, whereas Hydro will be adversely affected by declining prices and divestments.

We expect Global Commodities' 2015 EBITDA to be significantly above the prior-year figure due to anticipated improvements in the power and gas business.

We expect Exploration & Production's 2015 EBITDA to be significantly below the prior-year figure due to lower commodity prices and adverse currency-translation effects along with normal production declines at our gas fields in the North Sea.

We expect the Germany regional unit's 2015 EBITDA to be significantly above the prior-year level. We anticipate improvements across the business based on more seasonally typical weather patterns and further efficiency enhancements and a continuation of the positive trend in customer acquisition and loyalty.

Other EU Countries' 2015 EBITDA is expected to be at the prior-year level. Further positive effects from efficiency enhancements will be offset by adverse currency-translation effects.

We expect Non-EU Countries' 2015 EBITDA to be significantly below the prior-year level, mainly because of adverse currency-translation effects at our Russia unit.

Anticipated Dividend Development

E.ON aims to pay a fixed dividend of €0.50 per share for both the 2014 and 2015 financial years. In addition, shareholders will again be offered the option to exchange the cash dividend for the 2014 financial year partially into E.ON SE shares (currently held as treasury shares).

Anticipated Financial Situation

Planned Funding Measures

We expect to have no funding needs in 2015 at the Group level. We expect to be able to fund our investment expenditures planned for 2015 and the dividend payout by means of operating cash flow and proceeds from disposals. Any peaks in the Group's funding needs during the course of the year can be dealt with by issuing commercial paper.

As part of implementing our new strategy, we will review our medium-term debt factor target in light of the change to our organizational setup after the spinoff of the New Company. We aim for any potential change in E.ON's rating due to the new setup in two companies to be limited to one notch.

Planned Investments

Our medium-term plan calls for investments of €4.3 billion in 2015. The main geographic focus of our investments will continue to be Germany, where they will go primarily toward the maintenance and expansion of our power and gas infrastructure and toward renewable and conventional power generation.

Investments: 2015 Plan

	€ in billions	Percentages
Generation	0.6	14
Renewables	1.2	28
Global Commodities	0.1	1
Exploration & Production	0.2	5
Germany	0.8	19
Other EU Countries	1.1	26
Non-EU Countries	0.2	5
Group Management/Consolidation	0.1	2
Total	**4.3**	**100**

Generation's investments will serve to maintain and expand its portfolio of power generation assets.

The main focus of Renewables' investments will be on offshore wind farms (such as Amrumbank West and Humber) and onshore farms in Europe.

Global Commodities will invest mainly in its gas-storage infrastructure.

Most of Exploration & Production's investments will go toward developing gas and oil fields.

Investments at the Germany regional unit consist in particular of numerous individual investments to expand our intermediate- and low-voltage networks, switching equipment, and metering and control technology as well as other investments to ensure the reliable and uninterrupted transmission and distribution of electricity.

Investments at Other EU Countries will consist primarily of investments to maintain and expand our regional energy networks in Sweden, Czechia, and Hungary.

Non-EU Countries' investments will serve mainly to continue ongoing generation new-build projects, particularly at Berezovskaya GRES in Russia.

We want to support our new strategy with targeted growth investments. For this purpose, we intend to increase our investment budget for 2015 by up to €500 million.

General Statement on E.ON's Future Development

New Strategy

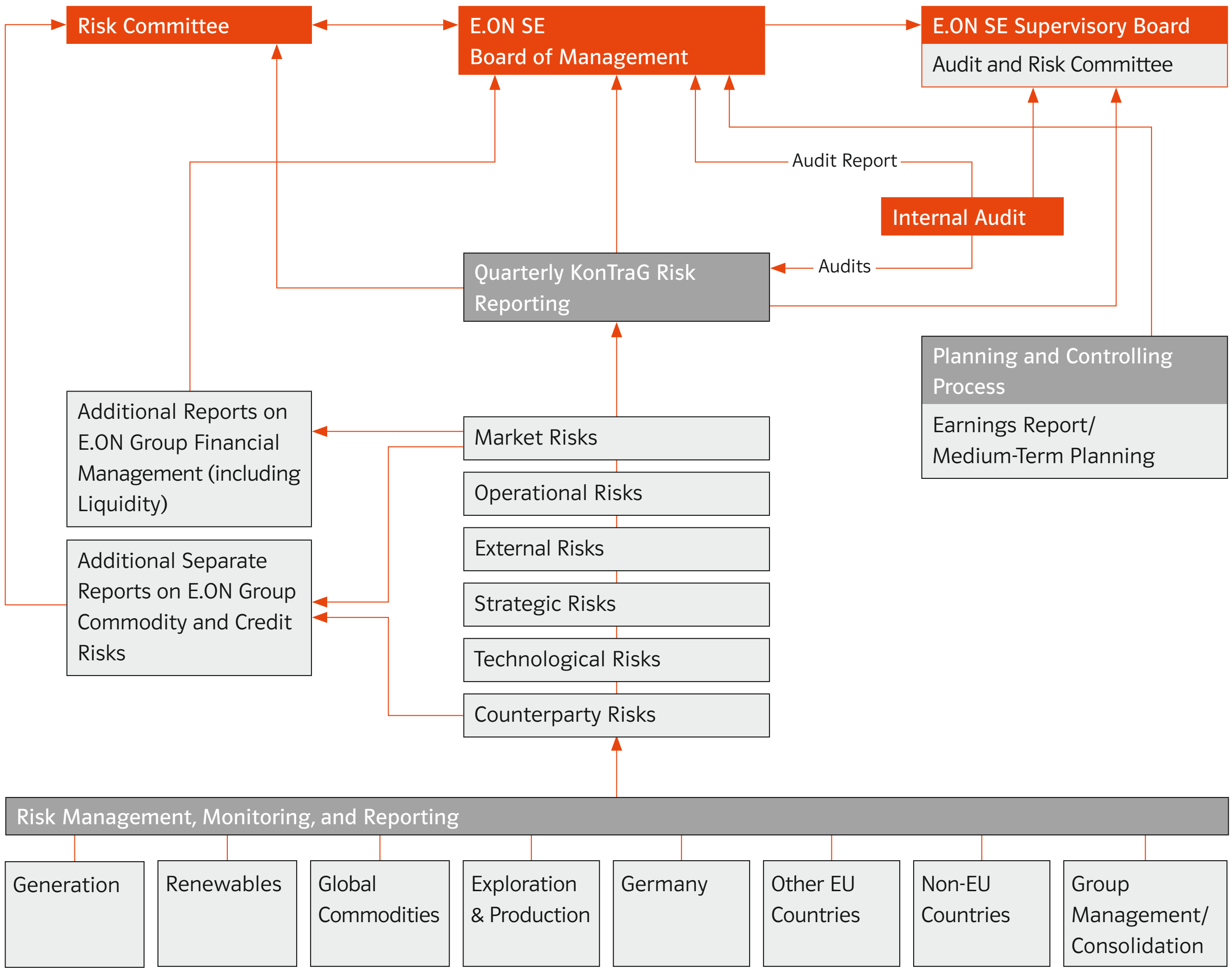
Toward the end of 2014, the Board of Management and the Supervisory Board adopted a new strategy for E.ON. Its aim is to set up our businesses in a new way that makes them viable for the future. We made the decision in response to dramatically altered global energy markets, technical innovation, and more diverse customer expectations. E.ON will therefore reorganize itself so that it can tap the growth potential created by the transformation of the energy world. Alongside the new E.ON we intend to create a new, independent company that will support the transformation of the energy system by providing a secure energy supply; we intend to spin off a majority stake in the New Company to E.ON SE shareholders in 2016. Both E.ON and the New Company will have solid financing, be positioned to secure jobs, and have prospects for creating new jobs in the future.

E.ON SE will focus on the new energy world and customer businesses. It will have three core businesses: renewables, energy networks, and customer solutions. We intend for the New Company to focus on conventional power generation, global energy trading, and exploration and production.

In 2015 we will take necessary preparatory steps for the New Company's public listing. In view of these strategic developments, the company's restructuring, and the related foreseeable uncertainties, the Supervisory Board agreed to our proposal that the company should aim to pay a fixed dividend of €0.50 per share for both the 2014 and 2015 financial years. To ensure reporting continuity, E.ON's current reporting units will, for the time being, remain unchanged.

This Combined Group Management Report contains certain forward-looking statements based on E.ON management's current assumptions and forecasts and other currently available information. Various known and unknown risks, uncertainties, and other factors could lead to material differences between E.ON's actual future results, financial situation, development or performance and the estimates given here. E.ON assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Risk Management System



Our risk management system consists of a number of components that are embedded into E.ON's entire organizational structure and processes. As a result, our risk management system is an integral part of our business and decision-making processes. The key components of our risk management system include our Group-wide guidelines and reporting systems; our standardized Group-wide strategy, planning, and controlling processes; Internal Audit activities; the separate Group-wide risk reporting conducted pursuant to the Corporate Sector Control and Transparency Act ("KonTraG"); and the establishment of risk committees. Our risk management system reflects industry best practice and is designed to enable management to recognize risks early and to take the necessary countermeasures in a timely manner. We continually review our Group-wide planning, controlling, and reporting processes to ensure that they remain effective and efficient. As required by law, the effectiveness of our risk management system is reviewed regularly by Internal Audit. Our risk management system encompasses all fully consolidated E.ON Group companies and all companies accounted for using the equity method whose book value exceeds €50 million.

Risk Management and Insurance

E.ON Risk Consulting GmbH, a wholly owned subsidiary of E.ON SE, is responsible for insurance-risk management in the E.ON Group. It develops and optimizes solutions for E.ON's operating risks by using insurance and insurance-related instruments and secures the necessary coverage in international insurance markets. To this end, E.ON Risk Consulting GmbH is, among other things, responsible for management of client data and insurance contracts, claims management, the accounting of risk covering and claims, and all associated reporting.

Risk Committee

In compliance with the provisions of Section 91, Paragraph 2, of the German Stock Corporation Act relating to the establishment of a risk-monitoring and early warning system, the E.ON Group has a Risk Committee. The Risk Committee, with support from relevant divisions and departments of E.ON SE and E.ON Global Commodities SE, ensures that the risk strategy defined by the Board of Management, principally the commodity and credit risk strategy, is implemented, complied with, and further developed.

Further Risk-Limitation Measures

In addition to the above-described components of our risk management, we take the following measures to limit risk.

Managing External Risks

We engage in intensive and constructive dialog with government agencies and policymakers in order to manage the risks resulting from the E.ON Group's policy, legal, and regulatory environment. Furthermore, we strive to conduct proper project management so as to identify early and minimize the risks attending our new-build projects.

We attempt to minimize the operational risks of legal proceedings and ongoing planning processes by managing them appropriately and by designing appropriate contracts beforehand.

Managing Technological Risks

To limit technological risks, we will continue to improve our network management and the optimal dispatch of our generation assets. At the same time, we are implementing operational and infrastructure improvements that will enhance the reliability of our generation assets and distribution networks, even under extraordinarily adverse conditions. In addition, we have factored the operational and financial effects of environmental risks into our emergency plan. They are part of a catalog of crisis and system-failure scenarios prepared for the Group by our incident and crisis management team.

Furthermore, the following are among the comprehensive measures we take to address technological risks:

- systematic employee training, advanced training, and qualification programs
- further refinement of our production procedures, processes, and technologies
- regular facility and network maintenance and inspection
- company guidelines as well as work and process instructions
- quality management, control, and assurance
- project, environmental, and deterioration management
- crisis-prevention measures and emergency planning.

Should an accident occur despite the measures we take, we have a reasonable level of insurance coverage.

Managing Operational Risks

Our IT systems are maintained and optimized by qualified E.ON Group experts, outside experts, and a wide range of technological security measures. In addition, the E.ON Group has in place a range of technological and organizational measures to counter the risk of unauthorized access to data, the misuse of data, and data loss.

Managing Market Risks

We use a comprehensive sales management system and intensive customer management to manage margin risks.

In order to limit our exposure to commodity price risks, we conduct systematic risk management. The key elements of our risk management are, in addition to binding Group-wide policies and a Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. Furthermore, we utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. The Global Commodities unit aggregates and consistently manages the price risks we face on Europe's liquid commodity markets.

We use systematic risk management to monitor and control our interest-rate and currency risks and manage these risks using derivative and non-derivative financial instruments. Here, E.ON SE plays a central role by aggregating risk positions through intragroup transactions and hedging these risks in the market. Due to its intermediary role, E.ON SE's risk position is largely closed.

Managing Strategic Risks

We have comprehensive preventive measures in place to manage potential risks relating to acquisitions and investments. To the degree possible, these measures include, in addition to the relevant company guidelines and manuals, comprehensive due diligence, legally binding contracts, a multi-stage approvals process, and shareholding and project controlling. Comprehensive post-acquisition projects also contribute to successful integration.

Managing Counterparty Risks

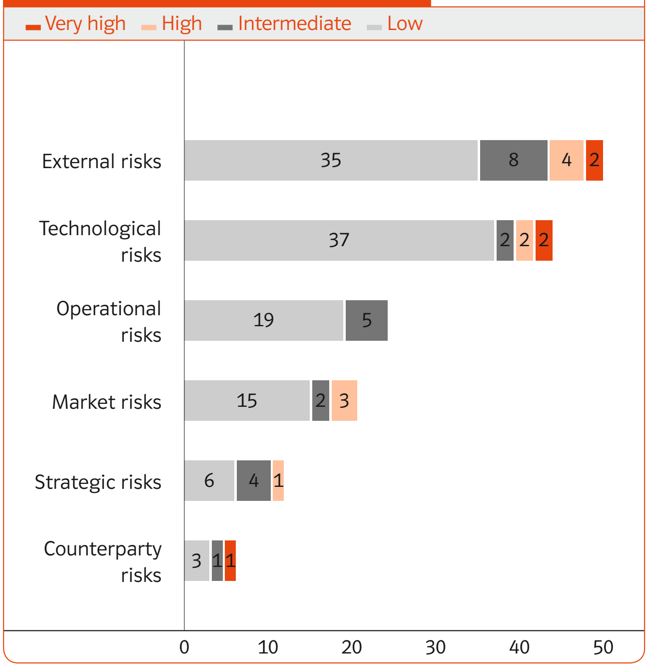
We use a Group-wide credit risk management system to systematically measure and monitor the creditworthiness of our business partners on the basis of Group-wide minimum standards. We manage our credit risk by taking appropriate measures, which include obtaining collateral and setting limits. The E.ON Group's Risk Committee is regularly informed about all material credit risks. A further component of our risk management is a conservative investment strategy and a broadly diversified portfolio.

Note 30 to the Consolidated Financial Statements contains detailed information about the use of derivative financial instruments and hedging transactions. Note 31 describes the general principles of our risk management and applicable risk metrics for quantifying risks relating to commodities, credit, liquidity, interest rates, and currency translation.

Risk Situation

Our IT-based system for reporting risks and opportunities has the following risk categories: market risks (commodity-price, margin, market-liquidity, foreign-exchange, and interest-rate risks), operational risks (IT, process, and personnel risks), external risks (policy and legal risks, regulatory risks, risks from public consents processes, risks from long-term market developments, and reputation risks), strategic risks (risks resulting from investments and disposals), technological risks (risks relating to the operation of power plants, networks, and other facilities; environmental and new-build risks), and counterparty risks (credit and country risks). E.ON SE departments and the major Group companies report quantifiable and unquantifiable risks into the reporting system according to these categories. We categorize the earnings impact of risks as low (under €0.5 billion), intermediate (€0.5 to €1 billion), high (€1 to €5 billion), and very high (over €5 billion). These are risks that have been quantified by means of, for example, statistical methods, simulations, and expert opinion, presupposing the worst case for each risk. The graphic below shows the number of risks in each category; risks of the same type are aggregated into a risk group.

Number of Risks per Risk Category



In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses.

Material risks are events or circumstances that could have a significant impact on the asset, financial, or earnings situation of E.ON Group companies or segments. The E.ON Group, and thus E.ON SE, is exposed to the following main risks:

External Risks

The political, legal, and regulatory environment in which the E.ON Group does business is also a source of external risks. Changes to this environment can lead to considerable uncertainty with regard to planning.

Generation

E.ON is building a hard-coal-fired power plant in Datteln, Germany ("Datteln 4"). The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested more than €1 billion in the project so far. The Münster Superior Administrative Court issued a ruling declaring void the City of Datteln's land-use plan. This ruling was subsequently upheld by the Federal Administrative Court in Leipzig. Consequently, a new planning process was conducted to reestablish a reliable planning basis for Datteln 4. The new construction plan and the amended land-use plan took effect on September 1, 2014. In view of the upcoming consents process, the current policy environment, and pending and anticipated lawsuits, we currently anticipate additional delays relative to Datteln 4's originally planned date of commissioning. We continue to anticipate that Datteln 4 will become operational. In principle, these types of risks also attend our other power and gas newbuild and conversion projects.

In response to requests from three federal states (Schleswig-Holstein, Hesse, and Rhineland-Palatinate), the *Bundestag*, the upper house of Germany's parliament, again thoroughly debated issues relating to the financial security of the provisions for the asset-retirement obligations for the dismantling of nuclear power stations and the final storage of radioactive waste. The result was to instruct the German federal government to increase the transparency requirements for the allocation of provisions to individual nuclear power stations and their use and to subject the amount of the provisions to an independent audit.

The Site Selection Act (*Standortauswahlgesetz*, or "StandAG") took effect in its entirety on January 1, 2014. Along with the search for an alternative site, it calls for the study of Gorleben to be suspended. Effective the date the StandAG entered effect, Gorleben is to remain open but be frozen in its current state as of the most recent study and/or partially dismantled.

The StandAG establishes a new levy that imposes the cost burden on entities with a disposal obligation. It estimates that the industry as a whole will face additional costs of more than €2 billion. We contend that such a passthrough of costs is unconstitutional as long as Gorleben has not been deemed unsuitable. E.ON is taking legal action against it. The StandAG also calls for an addendum to the Atomic Energy Act that establishes a new obligation for nuclear operators to store reprocessing waste at intermediate storage facilities in close proximity to their nuclear power stations. In October 2014 E.ON filed declaratory actions against this new storage obligation in the states of Bavaria, Lower Saxony, and Schleswig-Holstein and also filed an appeal on constitutional grounds.

Germany's Energy Act (which was amended at the end of 2012) and the Ordinance on Reserve Power Plants (*Reservekraftwerksverordnung*, which was passed in 2013) contain new regulatory restrictions for several areas, including power generation (in particular: restrictions on the decommissioning, mothballing, or shutdown of generating units and rules for the mandatory operation of generating units that are deemed essential for maintaining power-system stability). These restrictions could affect the profitability of E.ON's generation assets in Germany.

Capacity markets will play an important role for E.ON in a number of the electricity markets where it operates. Russia, Spain, Sweden, and Belgium already have capacity markets (the latter two are strategic reserves). France, Italy, and the United Kingdom have made political decisions to introduce capacity markets. The United Kingdom held its first capacity auction, for the 2018/2019 delivery year, in December 2014. Germany is debating whether to introduce a capacity market as part of the discussions surrounding the government's Green Paper on the future design of the country's electricity market. These reforms could affect E.ON's generation and retail operations. They could create market-design risks for E.ON, which could face a competitive disadvantage, particularly if there is a focus on specific generation technologies or if some existing assets are not included.

Exploration & Production

The amendments to Russia's mineral extraction tax for gas condensate and natural fuel gas took effect on July 1, 2014. Their earnings impact in 2015 will not be material.

Global Commodities

E.ON Global Commodities obtains most of the natural gas it delivers to customers in and outside Germany pursuant to long-term supply contracts with producers in Russia, Germany, the Netherlands, and Norway. In addition to procuring gas on a long-term, contractually secured basis, E.ON Global Commodities is active at various gas trading markets in Europe. Because liquidity at these markets has increased considerably, they represent a significant additional procurement source. E.ON Global Commodities therefore has a highly diversified gas procurement portfolio. Nevertheless, it faces a risk of supply interruptions from individual procurement sources resulting, for example, from technical problems at production facilities or in the transmission system or other restrictions that may affect transit. Such events are outside E.ON Global Commodities' control.

Germany

The E.ON Group's operations subject it to certain risks relating to legal proceedings, ongoing planning processes, and regulatory changes. These risks relate mainly to legal actions and proceedings concerning contract and price adjustments to reflect market dislocations or (including as a consequence of the transformation of Germany's energy system) an altered business climate in the power and gas business, price increases, alleged market-sharing agreements, and anticompetitive practices. The legal proceedings concerning price increases include legal actions to demand repayment of the increase differential in conjunction with court rulings that certain price-adjustment clauses used in the special-customer segment in years past are invalid. Rulings by Germany's Federal Court of Justice ("FCJ") have increased these risks industry-wide. To reduce future risks E.ON uses amended price-adjustment clauses. Additional risks result from a ruling issued by the European Court of Justice ("ECJ") on October 23, 2014, that Germany's Basic Supply Ordinances for Power and Gas (*Grundversorgungsverordnungen*) are in violation of EU law. The FCJ must now rule on the violation's consequences for German law. It is expected to issue this ruling in 2015. E.ON is not a party to these submissions, although it will be affected by the FCJ's ruling, as will all companies in the industry. Amended Basic Supply Ordinances for Power and Gas took effect on October 30, 2014. This increases the risk that price changes will result in tariff customers switching suppliers. E.ON is involved in arbitration and legal proceedings with a number of large customers concerning contract and price adjustments to reflect a business environment altered by market dislocations. In some of these proceedings the customers are contesting the validity of price-adjustment clauses and the validity of the contracts as a whole. The FCJ ruled on May 14, 2014, that oil-indexed gas price clauses are a valid business practice, thereby resolving an important point of contention with large customers.

The awarding of network concessions for power and gas is extremely competitive in Germany. This creates a risk of losing concessions, particularly in urban areas with good infrastructures. There are strong indications that Germany may pass legislation this year to change the modalities of how a network is relinquished after a network concession has been lost. This could make competition even keener.

As part of its review of E.ON network operators' equality reports, in 2014 the German Federal Network Agency (known by its German acronym, "BNetzA") indicated that it views the companies' setup (network operators having stakes in generation companies and municipal utilities) as incompatible with unbundling requirements. The network operators disagreed with this viewpoint in writing. The discussions with the BNetzA continue.

The second incentive-regulation period began in 2013 for E.ON gas network operators and in 2014 for E.ON power network operators in Germany. The BNetzA has released the results of the cost review and efficiency benchmarks. The administrative process for setting the revenue caps for E.ON gas network operators is formally completed. The BNetzA has set the revenue caps for all E.ON power network operators except one, and these caps have already taken legal effect.

On January 21, 2015, the BNetzA submitted to the Federal Ministry for Economic Affairs and made public its report evaluating the Incentive Regulation Ordinance. The report will serve as one of the bases for amendments to the ordinance, which the Federal Ministry for Economic Affairs announced it intends to undertake in 2015. The BNetzA's report proposes a number of different models for modifying the regulatory framework. Depending on their specifics, these models could pose risks and create opportunities.

Insolvency proceedings were initiated in 2011 for the assets of TelDaFax Energy GmbH, a power and gas supplier. Until TelDaFax Energy GmbH filed for insolvency, it supplied its end-customers by using the networks of E.ON power and gas network operators in Germany on the basis of supplier framework contracts. In 2014 the insolvency administrator contested network-fee payments TelDaFax Energy GmbH made to E.ON power and gas network operators starting in 2009 and demands their repayment. At this time it is uncertain whether this will lead to court proceedings or whether an out-of-court settlement can be reached.

Other EU Countries

In view of the current economic and financial crisis in many EU member states, policy and regulatory intervention (such as additional taxes, price moratoriums, and changes to support schemes for renewables) is becoming increasingly apparent. Such intervention could pose a risk to E.ON's operations in these countries. In particular, the refinancing situation of many European countries could have a direct impact on the E.ON Group's cost of capital. So-called Robin Hood taxes in Hungary are an example of such intervention.

Non-EU Countries

ENEVA S.A., our joint venture in Brazil, filed for creditor protection in early December 2014. Going forward, the successful financial restructuring of its holding company and the stable operation of its power stations are its primary objectives. Our operations in Turkey could face risks resulting from the country's general macroeconomic development and regulatory environment, including the liberalization process.

Currently, the crisis in Ukraine has not yet affected our ability to supply our customers with gas. At this time our activities in Russia continue to operate according to plan. However, we cannot entirely rule out the possibility that they could be adversely affected by a further deterioration of the political and macroeconomic situation. Currently, though, there are no specific policy decisions that would have measurable negative consequences.

E.ON Group

The new EU energy efficiency directive took effect in December 2012. Among other provisions, it obliges all energy distributors and energy retailers to achieve, between 2014 and 2020, annual savings of 1.5 percent on the amount of energy they sell to their customers. However, member states have the option of replacing this provision with alternative measures that achieve a comparable effect. The other provisions afford member states a similar degree of flexibility. Consequently, how the directive is transposed into national law is of particular significance and could pose risks for our regional units. All companies that are not small or medium-sized enterprises face a financial risk because they are obligated to conduct energy audits by the end of 2015. Not all member states have finalized the standards and rules for such audits. Moreover, the capacity for conducting such audits or certifying alternative management systems is limited. Most member states transposed the directive into national law in 2014. Although the increasing efforts to enhance energy efficiency in all European energy markets create sales-volume risks for E.ON, they also create new sales opportunities by enlarging the market for energy-service businesses.

In the context of discussions about Europe's ability to meet its long-term climate-protection targets for 2050, adjustments to European emissions-trading legislation are under consideration. A first step was taken when it was agreed to reduce the number of carbon allowances available during the current phase of the EU Emissions Trading Scheme ("ETS"), which ends in 2020. Policymakers are also discussing whether to introduce a market stability reserve, whose purpose would likewise be to reduce the number of carbon allowances available during the current phase. They hope that reducing the number of allowances will lead to higher carbon prices, which would create additional incentives for investments in climate-friendly generating capacity. The risks of potentially higher carbon prices for E.ON's current fossil-fueled generation portfolio in the EU can only be assessed when greater clarity exists about what ETS reform measures will be taken.

In mid-June the European Network of Transmission System Operators for Electricity ("ENTSO-E") finalized draft EU-wide network codes that set minimum technical requirements for connecting generating facilities to distribution and transmission systems. The codes could increase requirements for new and, following the completion of a cost-benefit analysis, for existing generating facilities. The codes are currently going through the comitology process. The completion of this process would make the codes legally binding. This is expected to take place in 2015.

Further risks may result from the EU's European Market Infrastructure Regulation ("EMIR") for derivatives traded over the counter ("OTC"), the updated Markets in Financial Instruments Directive ("MiFID2"), and the planned introduction of a financial transaction tax. With regard to EMIR and OTC derivatives, the European Commission intends to introduce mandatory central clearing of all OTC trades. Non-financial firms are exempted from the clearing obligation as long as transactions are demonstrably risk-reducing or remain below certain monetary thresholds. E.ON monitors its compliance with these thresholds on a daily basis in order to avoid additional liquidity risks resulting from the margin requirements of mandatory clearing. Possible changes to existing EU regulations could lead to a substantial increase in administrative expenses, additional liquidity risks, and, if a financial transaction tax is imposed, a higher tax expense.

Reputation Risks

Events and discussions regarding nuclear power and energy prices affect the reputation of all large energy suppliers. This is particularly the case in Germany. As a large corporation whose stock is part of the DAX 30 blue-chip index, E.ON is especially prominent in Germany and is almost always mentioned during public discussions of controversial energy-policy issues.

That is why communicating clearly, seeking out opportunities for dialog, and engaging with our key stakeholders are so important. They are the foundation for earning credibility and an open ear for our viewpoints. Revised stakeholder-management processes we implemented in 2013 will help us achieve these aims. It is important that we act responsibly along our entire value chain and that we communicate consistently, enhance the dialog, and maintain good relationships with our key stakeholders. We actively consider environmental, social, and corporate-governance issues. These efforts support our business decisions and our public relations. Our objective is to minimize our reputation risks and garner public support so that we can continue to operate our business successfully.

Technological Risks

Technologically complex production facilities are used in the production and distribution of energy. Germany's Renewable Energy Law is resulting in an increase in decentralized feed-in, which creates the need for additional expansion of the distribution network. On a regional level, the increase in decentralized feed-in (primarily from renewables) has led to a shift in load flows. Our operations in and outside Germany could experience unanticipated operational or other problems leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities (including new-build projects) as well as environmental damage could negatively impact our earnings, affect our cost situation, and/or result in the imposition of fines. In addition, problems with the development of new gas fields could lead to lower-than-expected earnings.

We could also be subject to environmental liabilities associated with our power generation operations that could materially and adversely affect our business. In addition, new or amended environmental laws and regulations may result in material increases in our costs.

Climate change has become a central risk factor. For example, E.ON's operations could be adversely affected by the absence of precipitation or above-average temperatures that reduce the cooling efficiency of our generation assets and may make it necessary to shut them down. Extreme weather or long-term climatic change could also affect wind power generation. Alongside risks to our energy production, there are also risks that could lead to the disruption of offsite activities, such as transportation, communications, water supply, waste removal, and so forth. Increasingly, our investors and customers expect us to play an active leadership role in environmental issues like climate change and water conservation. Our failure to meet these expectations could increase the risk to our business by reducing the capital market's willingness to invest in our company and the public's trust in our brand.

Operational Risiks

The operational and strategic management of the E.ON Group relies heavily on complex information technology. We outsourced our IT infrastructure to an external service provider in 2011. Among our IT risks are the unauthorized access to data, the misuse of data, and data loss.

In addition, our operating business potentially faces risks resulting from human error and employee turnover.

Market Risks

Our units operate in an international market environment that is characterized by general risks relating to the business cycle. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. Our Global Commodities unit continues to face considerable competitive pressure in its gas business. Competition in the gas market and increasing trading volumes at virtual trading points and gas exchanges could result in considerable volume risks for natural gas purchased under long-term take-or-pay contracts. In addition, the far-reaching dislocations on Germany's wholesale gas markets in recent years have led to considerable price risks between the purchase and sales side. Generally, long-term gas procurement contracts between producers and importers include the possibility of adjusting them to reflect continually changing market conditions. On this basis, we conduct ongoing, intensive negotiations with our producers.

In addition, our Global Commodities unit has booked LNG regasification capacity in the Netherlands and the United Kingdom well into the future, resulting in payment obligations through 2031 and 2029, respectively. A deterioration of the economic situation, a decline in LNG available for the Northwest European market, and/or a decline in demand could result in a lower utilization of regasification capacity than originally planned.

The demand for electric power and natural gas is seasonal, with our operations generally experiencing higher demand during the cold-weather months of October through March and lower demand during the warm-weather months of April through September. As a result of these seasonal patterns, our sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of our energy operations can be negatively affected by periods of unseasonably warm weather during the autumn and winter months. Our units in Scandinavia could be negatively affected by a lack of precipitation, which could lead to a decline in hydroelectric generation. We expect seasonal and weather-related fluctuations in sales and results of operations to continue.

The E.ON Group's business operations are exposed to commodity price risks. We mainly use electricity, gas, coal, carbon-allowance, and oil price hedging transactions to limit our exposure to risks resulting from price fluctuations, to optimize systems, to conduct load balancing, and to lock in margins.

E.ON's international business operations expose it to risks from currency fluctuation. One form of this risk is transaction risk, which occurs when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which occurs when currency fluctuations lead to accounting effects when assets/liabilities and income/expenses of E.ON companies outside the euro zone are translated into euros and entered into our Consolidated Financial Statements. Currency-translation risk results mainly from transactions denominated in U.S. dollars, pounds sterling, Swedish kronor, Russian rubles, Norwegian kroner, Hungarian forints, Brazilian reals, and Turkish lira.

E.ON faces earnings risks from financial liabilities and interest derivatives that are based on variable interest rates.

In addition, E.ON also faces risks from price changes and losses on the current and non-current investments it makes to cover its non-current obligations, particularly pension and asset-retirement obligations.

Declining discount rates could lead to increased provisions for pensions and asset-retirement obligations. This poses an earnings risk for E.ON.

Strategic Risks

As part of the new strategic course we set in November 2014, E.ON SE will focus on renewables, energy networks, and customer solutions and will transfer its conventional generation, global energy trading, exploration and production businesses to a new, independent company and spin off a majority stake in the New Company to E.ON shareholders. In 2015 we will take the preparatory steps for the New Company's public listing. These include making organizational changes to form two companies that are independent of each other. In particular, the following potential risks attend this process: delays in the preparations for, or the implementation of, the organizational separation and/or the public listing; higher-than-anticipated implementation costs; an adverse impact on ongoing business operations.

Our business strategy involves acquisitions and investments in our core business as well as disposals. This strategy depends in part on our ability to successfully identify, acquire, and integrate companies that enhance, on acceptable terms, our energy business. In order to obtain the necessary approvals for acquisitions, we may be required to divest other parts of our business or to make concessions or undertakings that materially affect our business. In addition, there can be no assurance that we will be able to achieve the returns we expect from any acquisition or investment. For example, we may fail to retain key employees; may be unable to successfully integrate new businesses with our existing businesses; may incorrectly judge expected cost savings, operating profits, or future market trends and regulatory changes; or may spend more on the acquisition, integration, and operation of new businesses than anticipated. Furthermore, investments and acquisitions in new geographic areas or lines of business require us to become familiar with new sales markets and competitors and to address the attending business risks.

In the case of planned disposals, E.ON faces the risk of disposals not taking place or being delayed and the risk that E.ON receives lower-than-anticipated disposal proceeds. In such projects, it is not possible to determine the likelihood of these risks. In addition, after transactions close we could face liability risks resulting from contractual obligations.

Counterparty Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Credit risk results from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owing on existing accounts receivable, and from replacement risks in open transactions.

Board of Management's Evaluation of the Risk Situation

We determine the E.ON Group's overall risk by means of a Monte Carlo simulation technique that also factors in the interdependencies between individual risks. This simulation factors in the major Group company's individual risks as well as possible deviations from the assumptions on which our planning is based. It calculates the maximum loss after countermeasures (net worst case) and the anticipated loss. Changes to these figures over time indicate changes in the E.ON Group's risk situation.

The risk situation of the E.ON Group's operating business at year-end 2014 had not changed significantly relative to the risk situation at year-end 2013. Nevertheless, in the future policy and regulatory intervention, increasing gas-market competition and its effect on sales volumes and prices, and possible delays in power and gas new-build projects could adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks that could threaten the existence of the E.ON Group or individual segments.

Opportunity Report

We conduct a bottom-up process at half-yearly intervals (at the end of the second and fourth quarters) in which the lead companies of our units in and outside Germany as well as certain E.ON SE departments follow Group-wide guidelines to identify and report opportunities that they deem sufficiently concrete and substantial. An opportunity is substantial within the meaning of our guidelines if it could have a significant positive effect on the asset, financial, or earnings situation of E.ON companies and/or segments.

The reactor accident in Fukushima led the political parties in Germany's coalition government to reverse their policy regarding nuclear energy. After extending the operating lives of nuclear power plants ("NPPs") in the fall of 2010 in line with the stipulations of that government's coalition agreement, the federal government rescinded the extensions in the thirteenth amended version of Germany's Atomic Energy Act ("the Act") and established a number of stricter rules. E.ON considers the nuclear phaseout, under the current legislation, to be irreconcilable with our constitutionally protected right to property and right to operate a business. It is our view that such an intervention is unconstitutional unless compensation is granted for the rights so deprived and for the resulting stranded assets. Consequently, in mid-November 2011 E.ON filed a constitutional complaint against the thirteenth amendment of the Act to Germany's Federal Constitutional Court in Karlsruhe. We believe that the nuclear-fuel tax contravenes Germany's constitution and European law. E.ON is therefore instituting administrative proceedings and taking legal action against the tax as well. Our view was affirmed by the Hamburg Fiscal Court and the Munich Fiscal Court. After the Federal Fiscal Court overturned the suspension of the tax, the matter now awaits conclusive adjudication by the Federal Constitutional Court and the European Court of Justice.

E.ON has filed a suit for damages against the states of Lower Saxony and Bavaria and against the Federal Republic of Germany for the nuclear-energy moratorium that was ordered following the reactor accident in Fukushima. The suit, which was filed with the Hanover State Court, seeks approximately €380 million in damages which E.ON incurred when, in March 2011, Unterweser and Isar 1 NPPs were required to temporarily suspend operations for several months until the thirteenth amended version of the Atomic Energy Act, which specifies the modalities for Germany's accelerated phaseout of nuclear energy, took effect.

Changes in our regulatory environment could create opportunities. Market developments could also have a positive impact on our business. Such factors include wholesale and retail price developments and higher customer churn rates.

The EU internal energy market was supposed to be completed in 2014 and serve as the first step towards a long-term European energy strategy. Nevertheless, many member states are pursuing their own agenda, aspects of which are not compatible with EU policy objectives. An example of this is the different approaches member states are taking with regard to capacity markets. We believe that European market integration is currently being accompanied by the development of markets that have strong national orientation. This could lead to a situation in which E.ON, which operates across Europe, can look for new opportunities in a fragmented regulatory environment.

Positive developments in foreign-currency rates and market prices for commodities (electricity, natural gas, coal, oil, and carbon) can create opportunities for our operating business. Periods of exceptionally cold weather—very low average temperatures or extreme daily lows—in the fall and winter months can create opportunities for us to meet higher demand for electricity and natural gas.

We combined our European trading operations at the start of 2008. This enables us to seize opportunities created by the increasing integration of European power and gas markets and of commodity markets, which are already global in scope. For example, in view of market developments in the United Kingdom and Continental Europe, trading at European gas hubs can create additional sales and procurement opportunities.

In addition, the ongoing optimization of gas transport and storage rights and of the availability and utilization of our power and gas facilities (shorter project timelines or shorter facility outages) could yield opportunities.

Disclosures Pursuant to Section 289, Paragraph 5 and Section 315, Paragraph 2, Item 5 of the German Commercial Code on the Internal Control System for the Accounting Process

General Principles

We apply Section 315a (1) of the German Commercial Code and prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee that were adopted by the European Commission for use in the EU as of the end of the fiscal year and whose application was mandatory as of the balance-sheet date (see Note 1 to the Consolidated Financial Statements). Our global units and certain of our regional units are our IFRS reportable segments.

E.ON SE prepares its Financial Statements in accordance with the German Commercial Code, the SE Ordinance (in conjunction with the German Stock Corporation Act), and the German Energy Act.

We prepare a Combined Group Management Report which applies to both the E.ON Group and E.ON SE.

Accounting Process

All companies included in the Consolidated Financial Statements must comply with our uniform Accounting and Reporting Guidelines for the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements. These guidelines describe applicable IFRS accounting and valuation principles. They also explain accounting principles typical in the E.ON Group, such as those for provisions for nuclear-waste management and the treatment of regulatory obligations. We continually analyze amendments to laws, new or amended accounting standards, and other pronouncements for their relevance to and consequences for our Consolidated Financial Statements and, if necessary, update our guidelines and systems accordingly.

E.ON Group companies are responsible for preparing their financial statements in a proper and timely manner. They receive substantial support from Business Service Centers in Regensburg, Germany, and Cluj, Romania. The financial statements of subsidiaries belonging to E.ON's scope of consolidation are audited by the subsidiaries' respective independent auditor. E.ON SE then combines these statements into its Consolidated Financial Statements using uniform SAP consolidation software. The E.ON Center of Competence for Consolidation is responsible for conducting the consolidation and for monitoring adherence to guidelines for scheduling, processes, and contents. Monitoring of system-based automated controls is supplemented by manual checks.

In conjunction with the year-end closing process, additional qualitative and quantitative information is compiled. Furthermore, dedicated quality-control processes are in place for all relevant departments to discuss and ensure the completeness of relevant information on a regular basis.

E.ON SE's Financial Statements are also prepared with SAP software. The accounting and preparation processes are divided into discrete functional steps. We transferred bookkeeping processes to our Business Service Centers: processes relating to subsidiary ledgers and bank activities were transferred to Cluj, those relating to the general ledgers to Regensburg. Automated or manual controls are integrated into each step. Defined procedures ensure that all transactions and the preparation of E.ON SE's Financial Statements are recorded, processed, assigned on an accrual basis, and documented in a complete, timely, and accurate manner. Relevant data from E.ON SE's Financial Statements are, if necessary, adjusted to conform with IFRS and then transferred to the consolidation software system using SAP-supported transfer technology.

The following explanations about our Internal Control System and our general IT controls apply to the Consolidated Financial Statements and E.ON SE's Financial Statements.

Internal Control and Risk Management System

Internal controls are an integral part of our accounting processes. Guidelines, called Internal_Controls@E.ON, define uniform financial-reporting requirements and procedures for the entire E.ON Group. These guidelines encompass a definition of the guidelines' scope of application; a Risk Catalog (ICS Model); standards for establishing, documenting, and evaluating internal controls; a Catalog of ICS Principles; a description of the test activities of our Internal Audit division; and a description of the final Sign-Off process. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

COSO Framework

Our internal control system is based on the globally recognized COSO framework, in the version published in May 2013 (COSO: The Committee of Sponsoring Organizations of the Treadway Commission). The Central Risk Catalog (ICS Model), which encompasses company- and industry-specific aspects, defines possible risks for accounting (financial reporting) in the functional areas of our units and thus serves as a check list and provides guidance for the establishment and documentation of internal controls.

The Catalog of ICS Principles is a key component of our internal control system, defining the minimum requirements for the system to function. It encompasses overarching principles for matters such as authorization, segregation of duties, and master data management as well as specific requirements for managing risks in a range of issue areas and processes, such as accounting, financial reporting, communications, planning and controlling, and risk management.

Scope

Each year, we conduct a process using qualitative criteria and quantitative materiality metrics to define which E.ON units must document and evaluate their financial-reporting-related processes and controls in a central documentation system.

Central Documentation System

The E.ON units to which the internal control system applies use a central documentation system to document key controls. The system defines the scope, detailed documentation requirements, the assessment requirements for process owners, and the final Sign-Off process.

Assessment

After E.ON units have documented their processes and controls, the individual process owners conduct an annual assessment of the design and the operational effectiveness of the processes as well as the controls embedded in these processes.

Tests Performed by Internal Audit

The management of E.ON units relies on the assessment performed by the process owners and on testing of the internal control system performed by Internal Audit. These tests are a key part of the process. Using a risk-oriented audit plan, Internal Audit tests the E.ON Group's internal control system and identifies potential deficiencies (issues). On the basis of its own evaluation and the results of tests performed by Internal Audit, an E.ON unit's management carries out the final Sign-Off.

Sign-Off Process

The final step of the internal evaluation process is the submission of a formal written declaration called a Sign-Off confirming the effectiveness of the internal control system. The Sign-Off process is conducted at all levels of the Group before it is conducted by the global and regional units and, finally, for the Group as a whole, by E.ON SE. The Chairman of the E.ON SE Board of Management and the Chief Financial Officer make the final Sign-Off for the E.ON Group.

Internal Audit regularly informs the E.ON SE Supervisory Board's Audit and Risk Committee about the internal control system for financial reporting and any significant issue areas it identifies in the E.ON Group's various processes.

General IT Controls

An E.ON unit called E.ON Business Services and external service providers provide IT services for the majority of the units at the E.ON Group. The effectiveness of the automated controls in the standard accounting software systems and in key additional applications depends to a considerable degree on the proper functioning of IT systems. Consequently, IT controls are embedded in our documentation system. These controls primarily involve ensuring the proper functioning of access-control mechanisms of systems and applications, of daily IT operations (such as emergency measures), of the program change process, and of E.ON SE's central consolidation system.

Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, of the German Commercial Code

Composition of Share Capital

The share capital totals €2,001,000,000.00 and consists of 2,001,000,000 registered shares without nominal value. Each share of stock grants the same rights and one vote at a Shareholders Meeting.

Restrictions on Voting Rights or the Transfer of Shares

Shares acquired by an employee under the Company-sponsored employee stock purchase program are subject to a blackout period that begins the day ownership of such shares is transferred to the employee and that ends on December 31 of the next calendar year plus one. As a rule, an employee may not sell such shares until the blackout period has expired.

Pursuant to Section 71b of the German Stock Corporation Act (known by its German abbreviation, "AktG"), the Company's own shares give it no rights, including no voting rights.

Legal Provisions and Rules of the Company's Articles of Association Regarding the Appointment and Removal of Board of Management Members and Amendments to the Articles of Association

Pursuant to the Company's Articles of Association, the Board of Management consists of at least two members. The Supervisory Board decides on the number of members as well as on their appointment and dismissal.

The Supervisory Board appoints members to the Board of Management for a term not exceeding five years; reappointment is permissible. If more than one person is appointed as a member of the Board of Management, the Supervisory Board may appoint one of the members as Chairperson of the Board of Management. If a Board of Management member is absent, in the event of an urgent matter, the court makes the necessary appointment upon petition by a concerned party. The Supervisory Board may revoke the appointment of a member of the Board of Management and the Chairperson of the Board of Management for serious cause (for further details, see Sections 84 and 85 of the AktG).

Resolutions of the Shareholders Meeting require a majority of the valid votes cast unless the law or the Articles of Association explicitly prescribe otherwise. An amendment to the Articles of Association requires a two-thirds majority of the votes cast or, in cases where at least half of the share capital is represented, a simple majority of the votes cast unless the law explicitly prescribes another type of majority.

The Supervisory Board is authorized to decide by resolution on amendments to the Articles of Association that affect only their wording (Section 10, Paragraph 7, of the Articles of Association). Furthermore, the Supervisory Board is authorized to revise the wording of Section 3 of the Articles of Association upon utilization of authorized or conditional capital.

Board of Management's Power to Issue or Buy Back Shares

Pursuant to a resolution of the Shareholders Meeting of May 3, 2012, the Company is authorized, until May 2, 2017, to acquire own shares. The shares acquired and other own shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

At the Board of Management's discretion, the acquisition may be conducted:

- through a stock exchange
- by means of a public offer directed at all shareholders or a public solicitation to submit offers
- by means of a public offer or a public solicitation to submit offers for the exchange of liquid shares that are admitted to trading on an organized market, within the meaning of the German Securities Purchase and Takeover Law, for Company shares
- by use of derivatives (put or call options or a combination of both).

These authorizations may be utilized on one or several occasions, in whole or in partial amounts, in pursuit of one or more objectives by the Company and also by affiliated companies or by third parties for the Company's account or its affiliates' account.

With regard to treasury shares that will be or have been acquired based on the above-mentioned authorization and/or prior authorizations by the Shareholders Meeting, the Board of Management is authorized, subject to the Supervisory Board's consent and excluding shareholder subscription rights, to use these shares—in addition to a disposal through a stock exchange or an offer granting a subscription right to all shareholders—as follows:

- to be sold and transferred against cash consideration
- to be sold and transferred against contribution in kind
- to be used in order to satisfy the rights of creditors of bonds with conversion or option rights or, respectively, conversion obligations issued by the Company or its Group companies
- to be offered for purchase and transferred to individuals who are employed by the Company or one of its affiliates.

These authorizations may be utilized on one or several occasions, in whole or in partial amounts, separately or collectively by the Company and also by Group companies or by third parties for the Company's account or its affiliates' account.

In addition, the Board of Management is authorized to cancel treasury shares, without such cancellation or its implementation requiring an additional resolution by the Shareholders Meeting.

In each case, the Board of Management will inform the Shareholders Meeting about the reasons for and the purpose of the acquisition of treasury shares, the number of treasury shares acquired, the amount of the registered share capital attributable to them, the portion of the registered share capital represented by them, and their equivalent value.

By shareholder resolution adopted at the Annual Shareholders Meeting of May 3, 2012, the Board of Management was authorized, subject to the Supervisory Board's approval, to increase until May 2, 2017, the Company's capital stock by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (with the option to restrict shareholders' subscription rights); such increase shall not, however, exceed the amount and number of shares in which the authorized capital pursuant to Section 3 of the Articles of Association of E.ON AG still exists at the point in time when the conversion of E.ON AG into a European Company ("SE") becomes effective pursuant to the conversion plan dated March 6, 2012 (authorized capital pursuant to Sections 202 et seq. AktG). Subject to the Supervisory Board's approval, the Board of Management is authorized to exclude shareholders' subscription rights. The authorized capital increase was not utilized.

At the Annual Shareholders Meeting of May 3, 2012, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 2, 2017. The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of option or conversion rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, profit participation rights and income bonds that have been issued or guaranteed by E.ON SE or a Group company of E.ON SE as defined by Section 18 AktG, and to the extent that no cash settlement has been granted in lieu of conversion and no E.ON SE treasury shares or shares of another listed company have been used to service the rights. However, this conditional capital increase only applies up to the amount and number of shares in which the conditional capital pursuant to Section 3 of the Articles of Association of E.ON AG has not yet been implemented at the point in time when the conversion of E.ON AG into a European Company ("SE") becomes effective in accordance with the conversion plan dated March 6, 2012. The conditional capital increase was not utilized.

Significant Agreements to Which the Company Is a Party That Take Effect on a Change of Control of the Company Following a Takeover Bid

Debt issued since 2007 contains change-of-control clauses that give the creditor the right of cancellation. This applies, inter alia, to bonds issued by E.ON International Finance B.V. and guaranteed by E.ON SE, promissory notes issued by E.ON SE, and other instruments such as credit contracts. Granting change-of-control rights to creditors is considered good corporate governance and has become standard market practice. Further information about financial liabilities is contained in the section of the Combined Group Management Report entitled Financial Situation and in Note 26 to the Consolidated Financial Statements.

Settlement Agreements between the Company and Board of Management Members or Employees in the Case of a Change-of-Control Event

In the event of a premature loss of a Board of Management position due to a change-of-control event, the service agreements of Board of Management members entitle them to severance and settlement payments (see the detailed presentation in the Compensation Report).

A change-of-control event would also result in the early payout of performance rights under the E.ON Share Performance Plan.

Corporate Governance Declaration in Accordance with Section 289a of the German Commercial Code

Declaration Made in Accordance with Section 161 of the German Stock Corporation Act by the Board of Management and the Supervisory Board of E.ON SE

The Board of Management and the Supervisory Board hereby declare that E.ON SE will comply in full with the recommendations of the "Government Commission German Corporate Governance Code," dated June 24, 2014, published by the Federal Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*).

The Board of Management and the Supervisory Board furthermore declare that E.ON SE has been in compliance in full with the recommendations of the "Government Commission German Corporate Governance Code," dated May 13, 2013, published by the Federal Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*) since the last declaration on December 16, 2013.

Düsseldorf, December 15, 2014

For the Supervisory Board of E.ON SE
Werner Wenning
(Chairman of the Supervisory Board of E.ON SE)

For the Board of Management of E.ON SE
Dr. Johannes Teyssen
(Chairman of the Board of Management of E.ON SE)

The declaration is continuously available to the public on the Company's Internet page at www.eon.com.

Relevant Information about Management Practices

Corporate Governance

E.ON views good corporate governance as a central foundation of responsible and value-oriented management, efficient collaboration between the Board of Management and the Supervisory Board, transparent disclosures, and appropriate risk management.

In 2014 the Board of Management and Supervisory Board paid close attention to E.ON's compliance with the German Corporate Governance Code's recommendations and suggestions. They determined that E.ON fully complies with all of the Code's recommendations and with nearly all of its suggestions.

Transparent Management

Transparency is a high priority of E.ON SE's Board of Management and Supervisory Board. Our shareholders, all capital market participants, financial analysts, shareholder associations, and the media regularly receive up-to-date information about the situation of, and any material changes to, the Company. We primarily use the Internet to help ensure that all investors have equal access to comprehensive and timely information about the Company.

E.ON SE issues reports about its situation and earnings by the following means:

- Interim Reports
- Annual Report
- Annual press conference
- Press releases
- Telephone conferences held on release of the quarterly Interim Reports and the Annual Report
- Numerous events for financial analysts in and outside Germany.

A financial calendar lists the dates on which the Company's financial reports are released.

In addition to the Company's periodic financial reports, the Company issues ad hoc statements when events or changes occur at E.ON SE that could have a significant impact on the price of E.ON stock.

The financial calendar and ad hoc statements are available on the Internet at www.eon.com.

Directors' Dealings

Persons with executive responsibilities, in particular members of E.ON SE's Board of Management and Supervisory Board, and persons closely related to them, must disclose their dealings in E.ON stock or in related financial instruments pursuant to Section 15a of the German Securities Trading Act. Such dealings that took place in 2014 have been disclosed on the Internet at www.eon.com. As of December 31, 2014, there was no ownership interest subject to disclosure pursuant to Item 6.3 of the German Corporate Governance Code.

Integrity

Our actions are grounded in integrity and a respect for the law. The basis for this is the Code of Conduct established by the Board of Management and confirmed in 2013. It emphasizes that all employees must comply with laws and regulations and with Company policies. These relate to dealing with business partners, third parties, and government institutions, particularly with regard to antitrust law, the granting and accepting of benefits, the involvement of intermediaries, and the selection of suppliers and service providers. Other rules address issues such as the avoidance of conflicts of interest (such as the prohibition to compete, secondary employment, material financial investments) and handling company information, property, and resources. The policies and procedures of our compliance organization ensure the investigation, evaluation, cessation, and punishment of reported violations by the appropriate Compliance Officers and the E.ON Group's Chief Compliance Officer. Violations of the Code of Conduct can also be reported anonymously (for example, by means of a whistleblower report). The Code of Conduct is published on www.eon.com.

Description of the Functioning of the Board of Management and Supervisory Board and of the Composition and Functioning of Their Committees

Board of Management

The E.ON SE Board of Management manages the Company's businesses, with all its members bearing joint responsibility for its decisions. It establishes the Company's objectives, sets its fundamental strategic direction, and is responsible for corporate policy and Group organization.

The Board of Management consists of six members and has one Chairperson. Someone who has reached the general retirement age should not be a member of the Board of Management. The Board of Management has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

The Board of Management regularly reports to the Supervisory Board on a timely and comprehensive basis on all relevant issues of strategy, planning, business development, risk situation, risk management, and compliance. It also submits the Group's investment, finance, and personnel plan for the coming financial year as well as the medium-term plan to the Supervisory Board for its approval, generally at the last meeting of each financial year.

The Chairperson of the Board of Management informs, without undue delay, the Chairperson of the Supervisory Board of important events that are of fundamental significance in assessing the Company's situation, development, and management and of any defects that have arisen in the Company's monitoring systems. Transactions and measures requiring the Supervisory Board's approval are also submitted to the Supervisory Board in a timely manner.

Members of the Board of Management are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Board of Management. Members of the Board of Management may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the E.ON SE Board of Management in 2014. Any material transactions between the Company and members of the Board of Management, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in 2014.

In addition, the Board of Management has established a number of committees that support it in the fulfillment of its tasks. The members of these committees are senior representatives of various departments of E.ON SE whose experience, responsibilities, and expertise make them particularly suited for their committee's tasks. Among these committees are the following:

A Disclosure Committee supports the Board of Management on issues relating to financial disclosures and ensures that such information is disclosed in a correct and timely fashion.

A Risk Committee ensures the correct application and implementation of the legal requirements of Section 91 of the German Stock Corporation Act ("AktG"). This committee monitors the E.ON Group's risk situation and its risk-bearing capacity and devotes particular attention to the early-warning system to ensure the early identification of going-concern risks to avoid developments that could potentially threaten the Group's continued existence. In collaboration with relevant departments, the committee ensures and refines the implementation of, and compliance with, the reporting policies enacted by the Board of Management with regard to commodity risks, credit risks, and opportunities and risks pursuant to Germany's Corporate Sector Control and Transparency Act ("KonTraG").

A Market Committee ensures that E.ON, across all its entities and in a timely manner, adopts clear and unequivocal policies and assigns clear mandates for monitoring market developments and managing its commodity portfolio (power, gas, coal, and so forth). The committee thus manages the portfolio's risk-reward profile in pursuance of the E.ON Group's strategic and financial objectives.

Supervisory Board

The E.ON SE Supervisory Board has twelve members and, in accordance with the Company's Articles of Association, is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting; the Supervisory Board nominates candidates for this purpose. Pursuant to the agreement regarding employees' involvement in E.ON SE, the other six members of the Supervisory Board are appointed by the SE Works Council, with the proviso that at least three different countries are represented and one member is selected by a German trade union that is represented at E.ON SE or one of its subsidiaries in Germany. Persons are not eligible as Supervisory Board members if they:

- are already supervisory board members in ten commercial companies that are required by law to form a supervisory board
- are legal representatives of an enterprise controlled by the Company
- are legal representatives of another corporation whose supervisory board includes a member of the Company's Board of Management
- were a member of the Company's Board of Management in the past two years, unless the person concerned is nominated by shareholders who hold more than 25 percent of the Company's voting rights.

At least one independent member of the Supervisory Board must have expertise in preparing or auditing financial statements. The Supervisory Board believes that Werner Wenning and Dr. Theo Siegert meet this requirement.

The Supervisory Board oversees the Company's management and advises the Board of Management on an ongoing basis. The Board of Management requires the Supervisory Board's prior approval for significant transactions or measures, such as the Group's investment, finance, and personnel plans; the acquisition or sale of companies, equity interests, or parts of companies whose value exceeds €500 million or 2.5 percent of stockholders' equity as shown in the most recent Consolidated Balance Sheets; financing measures that exceed 5 percent of stockholders' equity as shown in the most recent Consolidated Balance Sheets and have not been covered by Supervisory Board resolutions regarding finance plans; and the conclusion, amendment, or termination of affiliation agreements. The Supervisory Board examines the Financial Statements of E.ON SE, the Management Report, and the proposal for profit appropriation and, on the basis of the Audit and Risk Committee's preliminary review, the Consolidated Financial Statements and the Combined Group Management Report. The Supervisory Board provides to the Annual Shareholders Meeting a written report on the results of this examination.

The Supervisory Board has established policies and procedures for itself. It holds four regular meetings in each financial year. Its policies and procedures include mechanisms by which, if necessary, a meeting of the Supervisory Board or one of its committees can be called at any time by a member or by the Board of Management. In the event of a tie vote on the Supervisory Board, the Chairperson has the tie-breaking vote.

Overview of the Attendance of Supervisory Board Members at Meetings of the Supervisory Board and Its Committees

Supervisory Board member	Supervisory Board	Executive Committee	Audit and Risk Committee	Finance and Investment Committee
Werner Wenning	4/4	5/5	7/7	5/5
Prof. Dr. Ulrich Lehner	4/4	5/5	–	–
Erhard Ott	4/4	5/5	–	–
Clive Broutta (since July 1, 2014)	2/2	–	–	–
Baroness Denise Kingsmill CBE	4/4	–	–	–
Eugen-Gheorghe Luha[1]	4/4	–	–	3/3
René Obermann	4/4	–	–	–
Klaus Dieter Raschke	3/4	–	6/7	–
Eberhard Schomburg	4/4	5/5	7/7	–
Fred Schulz	4/4	–	–	5/5
Dr. Karen de Segundo	4/4	–	–	5/5
Dr. Theo Siegert	4/4	–	7/7	–
Willem Vis (until June 30, 2014)	2/2	–	–	2/2

[1]Member of the Finance and Investment Committee from July 2, 2014.

In view of Item 5.4.1 of the German Corporate Governance Code, in December 2012 the Supervisory Board defined targets for its composition that go beyond the applicable legal requirements. These targets are as follows:

"The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. Each Supervisory Board member should have or acquire the minimum expertise and skills needed to be able to understand and assess on his or her own all the business events and transactions that generally occur. The Supervisory Board should include a sufficient number of independent candidates; members are deemed independent if they do not have any personal or business relationship with the Company, its Board of Management, a shareholder with a controlling interest in the Company or with a company affiliated with such a shareholder, and such a relationship could constitute a material, and not merely temporary, conflict of interest. The Supervisory Board has a sufficient number of independent members if ten of its twelve members are independent. Employee representatives are, as a rule, deemed independent. The Supervisory Board should not include more than two former members of the Board of Management, and members of the Supervisory Board must not sit on the boards of, or act as consultants for, any of the Company's major competitors.

Each Supervisory Board member must have sufficient time available to perform his or her duties on the boards of various E.ON companies. Persons who are members of the board of management of a listed company shall therefore only be eligible as members of E.ON's Supervisory Board if they do not sit on more than three supervisory boards of listed non-Group companies or in comparable supervisory bodies of non-Group companies.

As a general rule, Supervisory Board members should not be older than 70 at the time of their election.

The key role of the Supervisory Board is to oversee and advise the Board of Management. Consequently, a majority of the shareholder representatives on the Supervisory Board should have experience as members of the board of management of a stock corporation or of a comparable company or association in order to discharge their duties in a qualified manner.

In addition, the Supervisory Board as a whole should have particular expertise in the energy sector and the E.ON Group's business operations. Such expertise includes knowledge about the key markets in which the E.ON Group operates.

If the qualifications of several candidates for the Supervisory Board meet, to an equal degree, the general and company-related requirements, the Supervisory Board intends to consider other criteria in its nomination of candidates in order to increase the Supervisory Board's diversity.

In view of the E.ON Group's international orientation, the Supervisory Board should include a sufficient number of members who have spent a significant part of their professional career abroad.

On December 13, 2010, the E.ON AG Supervisory Board first set targets for its composition. These included the target of continually increasing the number of women on the Supervisory Board, which at that time had two women: one shareholder representative and one employee representative. Following the election of another female shareholder representative in 2011 and the Company's transformation into a Societas Europaea ("SE") (which reduced the Supervisory Board to twelve members), we have already achieved the target of doubling the number of woman members, a target originally set for the Supervisory Board's next regular election in May 2013, because at this time 25 percent of the Supervisory Board's members are women. We stand by our original target of increasing women's representation on the Supervisory Board to 30 percent as of the regular election in 2018."

In its current composition the Supervisory Board already meets the targets it set for a sufficient number of independent members, company-specific qualification requirements, and diversity. The Supervisory Board has two female members, both of whom are shareholder representatives. As of the balance sheet date, women therefore accounted for 33 percent of shareholder representatives and about 17 percent of the Supervisory Board as a whole.

In addition, under the Supervisory Board's policies and procedures, Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or exercising a board function with, one of E.ON's customers, suppliers, creditors, or other third parties. The Supervisory Board reports any conflicts of interest to the Annual Shareholders Meeting and describes how the conflicts have been dealt with. Any material conflict of interest of a non-temporary nature should result in the termination of a member's appointment to the Supervisory Board. There were no conflicts of interest involving members of the Supervisory Board in 2014. Any consulting or other service agreements between the Company and a Supervisory Board member require the Supervisory Board's consent. No such agreements existed in 2014.

The Supervisory Board has established the following committees and defined policies and procedures for them:

The Executive Committee consists of four members: the Supervisory Board Chairperson, his or her two Deputies, and a further employee representative. It prepares the meetings of the Supervisory Board and advises the Board of Management on matters of general policy relating to the Company's strategic development. In urgent cases (in other words, if waiting for the Supervisory Board's prior approval would materially prejudice the Company), the Executive Committee acts on the full Supervisory Board's behalf. In addition, a key task of the Executive Committee is to prepare the Supervisory Board's personnel decisions and resolutions for setting the respective total compensation of individual Board of Management members within the meaning of Section 87, AktG. Furthermore, it is responsible for the conclusion, alteration, and termination of the service agreements of Board of Management members and for presenting the Supervisory Board with a proposal for a resolution on the Board of Management's compensation plan and its periodic review. It also deals with corporate-governance matters and reports to the Supervisory Board, generally once a year, on the status and effectiveness of, and possible ways of improving, the Company's corporate governance and on new requirements and developments in this area.

The Audit and Risk Committee consists of four members who should have special knowledge in the field of accounting or business administration. In line with Section 100, Paragraph 5, AktG, and the German Corporate Governance Code, the Chairperson has special knowledge and experience in the application of accounting principles and internal control processes. In particular, the Audit and Risk Committee monitors the Company's accounting and the accounting process; the effectiveness of internal control systems, internal risk management, and the internal audit system; compliance; and the independent audit. With regard to the independent audit, the committee also deals with the definition of the audit priorities and the agreement regarding the independent auditor's fees. The Audit and Risk Committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON SE and the Consolidated Financial Statements. It also examines the Company's quarterly Interim Reports and discusses the audit review of the Interim Reports with the independent auditor and regularly reviews the Company's risk situation, risk-bearing capacity, and risk management. The effectiveness of the internal control mechanisms for the accounting process used at E.ON SE and the global and regional units is tested on a regular basis by our Internal Audit division; the Audit and Risk Committee regularly monitors the work done by the Internal Audit division and the definition of audit priorities. In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditors detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted.

In being assigned the audit task, the independent auditor agrees to:

- promptly inform the Chairperson of the Audit and Risk Committee should any such facts arise during the course of the audit unless such facts are promptly resolved in satisfactory manner
- promptly inform the Supervisory Board of anything arising during the course of the audit that is of relevance to the Supervisory Board's duties
- inform the Chairperson of the Audit and Risk Committee of, or to note in the audit report, any facts that arise during the audit that contradict the statements submitted by the Board of Management or Supervisory Board in connection with the German Corporate Governance Code.

The Finance and Investment Committee consists of four members. It advises the Board of Management on all issues of Group financing and investment planning. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies whose value exceeds €500 million, or 2.5 percent of the equity listed in the Company's most recent Consolidated Balance Sheet, but does not exceed €1 billion. In addition, it decides on behalf of the Supervisory Board on the approval of financing measures whose value exceeds 5 percent, but not 10 percent, of the equity listed in the Company's most recent Consolidated Balance Sheet if such measures are not covered by the Supervisory Board's resolutions regarding finance plans. If the value of any such transactions or measures exceeds the above-mentioned thresholds, the Finance and Investment Committee prepares the Supervisory Board's decision.

The Nomination Committee consists of three shareholder-representative members. Its Chairperson is the Chairperson of the Supervisory Board. Its task is to recommend to the Supervisory Board, taking into consideration the Supervisory Board's targets for its composition, suitable candidates for election to the Supervisory Board by the Annual Shareholders Meeting.

All committees meet at regular intervals and when specific circumstances require it under their policies and procedures. The Report of the Supervisory Board (on pages 4 to 9) contains information about the activities of the Supervisory Board and its committees in 2013. Pages 216 and 217 show the composition of the Supervisory Board and its committees.

Shareholders and Annual Shareholders Meeting

E.ON SE shareholders exercise their rights and vote their shares at the Annual Shareholders Meeting. The Company's financial calendar, which is published in the Annual Report, in the quarterly Interim Reports, and on the Internet at www.eon.com, regularly informs shareholders about important Company dates.

At the Annual Shareholders Meeting, shareholders may vote their shares themselves, through a proxy of their choice, or through a Company proxy who is required to follow the shareholder's voting instructions.

As stipulated by German law, the Annual Shareholders Meeting votes to select the Company's independent auditor.

At the Annual Shareholders Meeting on April 30, 2014 PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, was selected to be E.ON SE's independent auditor for the 2014 financial year. Under German law, the shareholders meeting selects the company's independent auditor for one financial year. The independent auditors with signing authority for the Annual Financial Statements of E.ON SE and the Consolidated Financial Statements are Markus Dittmann (for the first time) and Michael Preiß (since the 2013 financial year). E.ON therefore complies with the legal requirements and rotation obligations contained in Sections 319 and 319a of the German Commercial Code.

Compensation Report pursuant to Section 289, Paragraph 2, Item 5 and Section 315, Paragraph 2, Item 4 of the German Commercial Code

This compensation report describes the basic features of the compensation plans for members of the E.ON SE Board of Management and Supervisory Board and provides information about the compensation granted and paid in 2014. It applies the provisions of accounting standards for capital-market-oriented companies (the German Commercial Code, German Accounting Standards, and International Financial Reporting Standards) and the recommendations of the German Corporate Governance Code dated June 24, 2014.

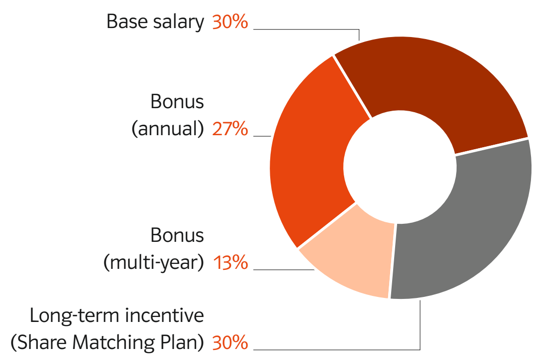
Basic Features of the Board of Management Compensation Plan

The purpose of the Board of Management compensation plan, which was last revised in 2013, is to create an incentive for successful and sustainable corporate governance and to link the compensation of Board of Management members' with the Company's actual (short-term and long-term) performance while also factoring in their individual performance. Under the plan, Board of Management members' compensation is therefore transparent, performance-based, closely aligned with the Company's business success, and, in particular, based on long-term targets. At the same time, the compensation plan serves to align management's and shareholders' interests and objectives by basing long-term variable compensation on E.ON's stock price.

The Supervisory Board approves the Executive Committee's proposal for the Board of Management's compensation plan. It reviews the plan and the appropriateness of the Board of Management's total compensation as well as the individual components on a regular basis and, if necessary, makes adjustments. It considers the provisions of the German Stock Corporation Act and follows the German Corporate Governance Code's recommendations and suggestions.

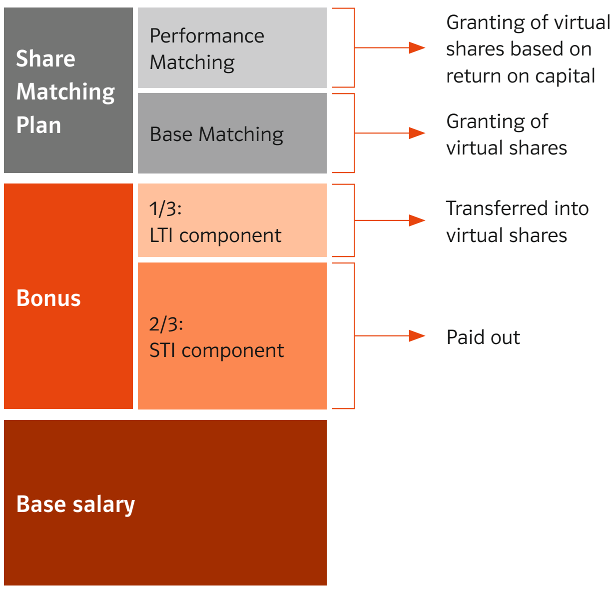
The compensation of Board of Management members consists of a fixed base salary, an annual bonus, and long-term variable remuneration. These components account for approximately the following percentages of total compensation:

Compensation Structure[1]



[1]Not including non-cash compensation, other benefits, and pension benefits.

The following graphic provides an overview of the compensation plan for Board of Management members:



In addition, there is a graphic on page 94 that provides a summary overview of the individual components of the Board of Management's compensation described below as well as their respective metrics and parameters.

Fixed Compensation

Board of Management members receive their fixed compensation in twelve monthly payments.

Board of Management members receive a number of contractual fringe benefits, including the use of a chauffeur-driven company car. The Company also provides them with the necessary telecommunications equipment, covers costs that include those for an annual medical examination, and pays the premium for an accident insurance policy.

Performance-Based Compensation

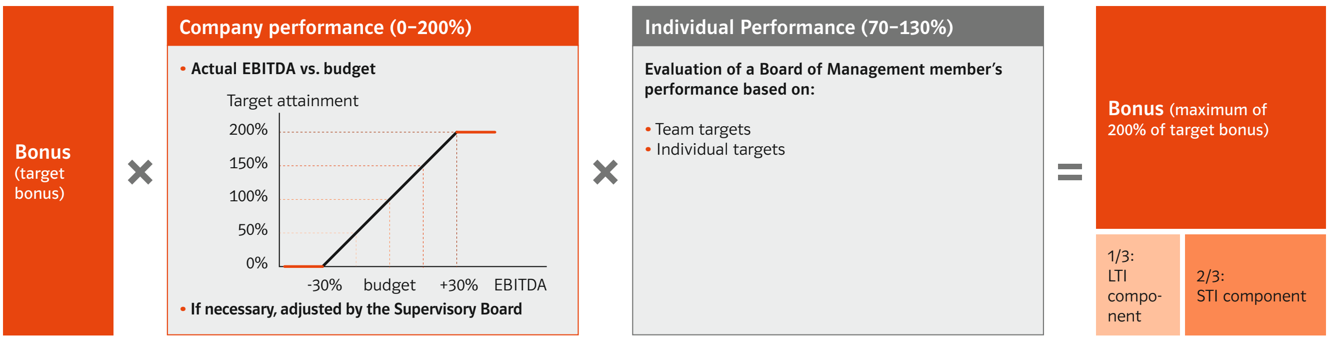
Since 2010 more than 60 percent of Board of Management members' long-term variable compensation depends on the achievement of long-term targets, ensuring that the variable compensation is sustainable under the criteria of Section 87 of the German Stock Corporation Act.

Annual Bonus

The annual bonus mechanism consists of two components: a short-term incentive component ("STI component") and a long-term incentive component ("LTI component"). The STI component generally accounts for two-thirds of the annual bonus. The LTI component accounts for one-third of the annual bonus to a maximum of 50 percent of the target bonus. The LTI component is not paid out at the conclusion of the financial year but is instead transferred into virtual shares, which have a four-year vesting period, based on E.ON's stock price.

The amount of the bonus is determined by the degree to which certain performance targets are attained. The target-setting mechanism consists of company performance targets and individual performance targets:

Bonus Mechanism



The metric used for the company target is our EBITDA. The EBITDA target for a particular financial year is the plan figure approved by the Supervisory Board. If E.ON's actual EBITDA is equal to the EBITDA target, this constitutes 100 percent attainment. If it is 30 percentage points or more below the target, this constitutes zero percent attainment. If it is 30 percentage points or more above the target, this constitutes 200 percent attainment. Linear interpolation is used to translate intermediate EBITDA figures into percentages. The Supervisory Board then evaluates this arithmetically derived figure on the basis of certain qualitative criteria and, if necessary, adjusts it within a range of ±20 percentage points. The criteria for this qualitative evaluation are the ratio between cost of capital and EBITDA, a comparison with prior-year EBITDA, and general market developments. Extraordinary events are not factored into the determination of target attainment.

In assigning Board of Management members their individual performance factors, the Supervisory Board evaluates their individual contribution to the attainment of collective targets as well as their attainment of their individual targets.

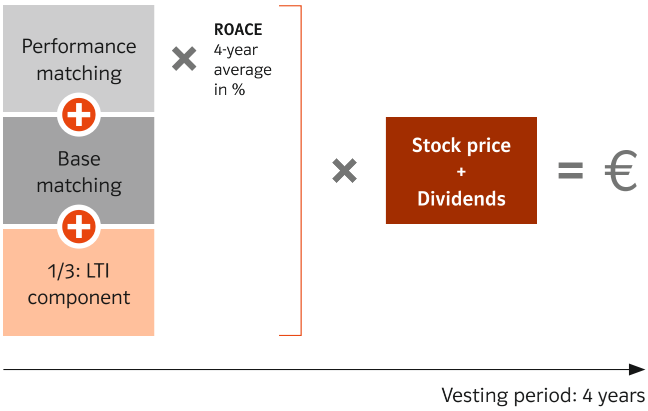
The Supervisory Board, at its discretion, determines the degree to which Board of Management members have met the targets of the individual-performance portion of their annual bonus. In making this determination, the Supervisory Board pays particular attention to the criteria of Section 87 of the German Stock Corporation Act and of the German Corporate Governance Code.

In addition, the Supervisory Board has the discretionary power to make a final, overall assessment on the basis of which it may adjust the size of the bonus. This overall assessment does not refer to above-described targets or comparative parameters, which are not, under the Code's recommendations, supposed to be changed retroactively. In addition, the Supervisory Board may, as part of the annual bonus, grant Board of Management members special compensation for outstanding achievements.

The maximum bonus that can be attained (including any special compensation) is 200 percent of the target bonus.

Long-Term Variable Compensation: E.ON Share Matching Plan

The long-term variable compensation that Board of Management members receive is a stock-based compensation under the E.ON Share Matching Plan. At the beginning of each financial year, the Supervisory Board decides, based on the Executive Committee's recommendation, on the allocation of a new tranche, including the respective targets and the number of virtual shares granted to individual members of the Board of Management. To serve as a long-term incentive for sustainable business performance, each tranche has a vesting period of four years. The tranche starts on April 1 of each year.



Following the Supervisory Board's decision to allocate a new tranche, Board of Management members initially receive vested virtual shares equivalent to the amount of the LTI component of their bonus. The determination of the LTI component takes into consideration the overall target attainment of the bonus for the preceding financial year. The number of virtual shares is calculated on the basis of the amount of their LTI component and E.ON's average stock price during the first 60 days of the four-year vesting period. Furthermore, Board of Management members may receive, on the basis of annual Supervisory Board decisions, a base matching of additional non-vested virtual shares in addition to the virtual shares resulting from their LTI component. In addition, Board of Management members may, depending on the company's performance during the vesting period, receive performance matching of up to two additional non-vested virtual shares per share resulting from base matching. The arithmetical total target value allocated at the start of the vesting period, which begins on April 1 of the year in which a tranche is allocated, is therefore the sum of the value of the LTI component, base matching, and performance matching (depending on the degree of attainment of a predefined company performance target).

For the purpose of performance matching, the company performance metric is E.ON's average ROACE during the four-year vesting period compared with a target ROACE set in advance by the Supervisory Board for the entire four-year period at the time it allocates a new tranche. Extraordinary events are not factored into the determination of target attainment for company performance. Depending on the degree of target attainment for the company performance metric, each virtual share resulting from base matching may be matched by up to two additional virtual shares at the end of the vesting period. If the predetermined company performance target is fully attained, Board of Management members receive one additional virtual share for each virtual share resulting from base matching. Linear interpolation is used to translate intermediate figures.

At the end of the vesting period, the virtual shares held by Board of Management members are assigned a cash value based on E.ON's average stock price during the final 60 days of the vesting period. To each virtual share is then added the aggregate per-share dividend paid out during the vesting period. This total—cash value plus dividends—is then paid out. Payouts are capped at 200 percent of the arithmetical total target value. In order to introduce the new plan as swiftly as possible, Board of Management members received virtual shares in 2013 as part of an interim solution; allocations under the old Share Performance Plan were not granted.

Overall Cap

In line with the German Corporate Governance Code's recommendation, Board of Management members' cash compensation has an overall cap. This means that the sum of the individual compensation components in one year may not exceed 200 percent of the total agreed target compensation, which consists of base salary, target bonus, and the target allocation value of long-term variable compensation.

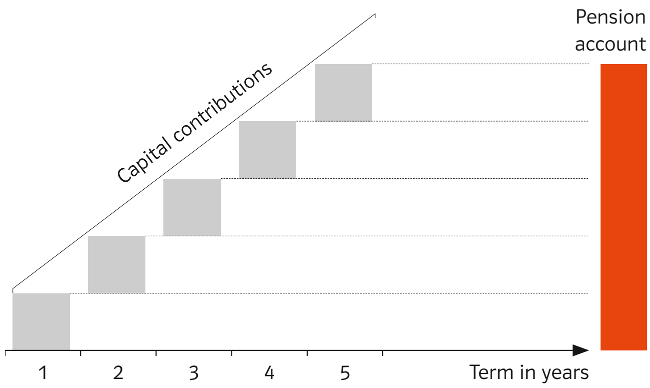
Pension Entitlements

The Company has agreed to a pension plan based on final salary for the Board of Management members who were appointed to the Board of Management before 2010: Dr. Teyssen and Dr. Reutersberg. Following the end of their service for the Company, these Board of Management members are entitled to receive lifelong monthly pension payments in three cases: reaching the age of 60, permanent incapacitation, and a so-called third pension situation. The provisions of the third pension situation only apply to Dr. Teyssen. The criteria for this situation are met if the termination or non-extension of Dr. Teyssen's service agreement is not due to his misconduct or rejection of an offer of extension that is at least on a par with his existing service agreement. In the third pension situation, Dr. Teyssen would receive an early pension as a transitional arrangement until he reaches the age of 60.

Annual pension payments are initially equal to 60 percent of a Board of Management member's respective last annual base salary. In the case of additional years of service on the Board of Management, the payment can increase to a maximum of 70 percent or, in Dr. Teyssen's case, 75 percent. The full amount of any pension entitlements from earlier employment is offset against these payments. In addition, the pension plan includes benefits for widows and widowers and for surviving children that are equal to 60 percent and 15 percent, respectively, of the deceased Board of Management member's pension entitlement. Together, pension payments to a widow or widower and children may not exceed 100 percent of the deceased Board of Management member's pension.

Members appointed to the Board of Management since 2010 (Dr.-Ing. Birnbaum, Mr. Kildahl, Mr. Schäfer, and Mr. Winkel) are enrolled in the contribution plan "E.ON Management Board," a contribution-based pension plan.

Contribution-Based Plan



The Company makes virtual contributions to Board of Management members' pension accounts. The maximum amount of the annual contributions is a equal to 18 percent of pensionable income (base salary and annual bonus). The annual contribution consists of a fixed base percentage (14 percent) and a matching contribution (4 percent). The requirement for the matching contribution to be granted is that the Board of Management member contributes, at a minimum, the same amount by having it withheld from his compensation. The company-funded matching contribution is suspended if and as long as the E.ON Group's ROACE is less than its cost of capital for three years in a row. The contributions are capitalized using actuarial principles (based on a standard retirement age of 62) and placed in Board of Management members' pension accounts. The interest rate used for each year is based on the return of long-term German treasury notes. At the age of 62 at the earliest, a Board of Management member (or his survivors) may choose to have the pension account balance paid out as a lifelong pension, in installments, or in a lump sum. Individual Board of Management members' actual resulting pension entitlement cannot be calculated precisely in advance. It depends on a number of uncertain parameters, in particular the changes in their individual salary, their total years of service, the attainment of company targets, and interest rates. For a Board of Management member enrolled in the plan at the age of 50, the company-financed, contribution-based pension payment is currently estimated to be between 30 and 35 percent of his or her base salary (without factoring in pension benefits accrued prior to being appointed to the Board of Management).

Mr. Schäfer and Mr. Winkel's previous pensions were transferred into the contribution-based plan. Their benefit entitlements acquired prior to joining the Board of Management (which were based on their final salary) were translated into capital contributions. The Supervisory Board agreed to a transitional arrangement with Mr. Schäfer and Mr. Winkel. If their service agreement is not extended they will receive transitional compensation based on their employment contracts but linked to their base pay prior to joining the Board of Management. In addition, in the case of pension benefits being due, Mr. Schäfer or his survivors may, for a limited time, choose between the above-described contribution-based pension plan and the pension plan based on final salary prior to joining the Board of Management. In the case of reappointment to the E.ON Board of Management, these interim arrangements are void.

Pursuant to the provisions of the German Occupational Pensions Improvement Act, Board of Management members' pension entitlements are not vested until they have been in effect for five years. This applies to both contribution-based and final-salary-based pension plans.

In line with the German Corporate Governance Code's recommendation, the Supervisory Board reviews, on a regular basis, the benefits level of Board of Management members and the resulting annual and long-term expense and, if necessary, adjusts the payments.

Settlement Payments for Termination of Board of Management Duties

In line with the German Corporate Governance Code's recommendation, the service agreements of Board of Management members include a settlement cap. Under the cap, settlement payments in conjunction with a termination of Board of Management duties may not exceed the value of two years' total compensation or the total compensation for the remainder of the member's service agreement.

In the event of a premature loss of a Board of Management position due to a change-of-control event, Board of Management members are entitled to settlement payments. The change-in-control agreements stipulate that a change of control exists in three cases: a third party acquires at least 30 percent of the Company's voting rights, thus triggering the automatic requirement to make an offer for the Company pursuant to Germany's Stock Corporation Takeover Law; the Company, as a dependent entity, concludes a corporate agreement; the Company is merged with another company. Board of Management members are entitled to a settlement payment if, within 12 months of the change in control, their service agreement is terminated by mutual consent, expires, or is terminated by them (in the latter case, however, only if their position on the Board of Management is materially affected by the change of control). Board of Management members' settlement payment consists of their base salary and target bonus plus fringe benefits for two or three years. To reflect discounting and setting off of payment for services rendered to other companies or organizations, payments will be reduced by 20 percent. If a Board of Management member is above the age of 53, this 20-percent reduction is diminished incrementally. In accordance with the German Corporate Governance Code, the settlement payments for Board of Management members would be equal to 150 percent of the above-described settlement cap.

The service agreements of Board of Management members include a non-compete clause. For a period of six months after the termination of their service agreement, Board of Management members are contractually prohibited from working directly or indirectly for a company that competes directly or indirectly with the Company or its affiliates. Board of Management members receive a compensation payment for the period of the non-compete restriction. The prorated payment is based on 100 percent of their contractually stipulated annual target compensation (without long-term variable compensation) but is, at a minimum, 60 percent of their most recently received compensation.

Board of Management Compensation in 2014

The Supervisory Board reviewed the Board of Management's compensation plan and the components of individual members' compensation. It determined that the Board of Management's compensation is appropriate from both a horizontal and vertical perspective and passed a resolution on the performance-based compensation described below. It made its determination of customariness from a horizontal perspective by comparing the compensation with that of companies of a similar size. Its review of appropriateness included a vertical comparison of the Board of Management's compensation with that of the Company's top management and the rest of its workforce. In the Supervisory Board's view, in 2014 there was no reason to adjust the Board of Management's compensation.

Performance-Based Compensation in 2014

The annual bonuses of Board of Management members for 2014 totaled €4.9 million, which is about 20 percent below the prior-year figure of €6.1 million. The decline is primarily attributable to a reduction resulting from the final setting of the long-term portion of the bonus for the 2012 financial year (see footnote 1 to the table entitled Total Compensation of the Board of Management) and to changes in the Board of Management's composition in 2013.

The Supervisory Board issued a new tranche of the E.ON Share Matching Plan (2014–2018) for the 2014 financial year and granted Board of Management members virtual shares of E.ON stock. The present value assigned to the virtual shares of E.ON stock at the time of granting—€13.65 per virtual share—is shown in the following tables entitled "Stock-Based Compensation" and "Total Compensation." The value performance of this tranche will be determined by the performance of E.ON stock, the per-share dividends, and ROACE of the next four years. The actual payments made to Board of Management members in 2018 may deviate, under certain circumstances considerably, from the calculated figures disclosed here.

The long-term variable compensation of Board of Management members resulted in the following expenses in 2014 and 2013:

Stock-based Compensation

€	Value of virtual shares at time of granting[1, 2] 2014	2013	Number of virtual shares granted 2014	2013	Expense[3] 2014	2013
Dr. Johannes Teyssen	1,790,082	2,490,000	84,988	139,745	2,112,189	1,686,631
Dr.-Ing. Leonhard Birnbaum (since July 1, 2013)	1,048,667	550,000	49,964	27,548	735,355	246,532
Jørgen Kildahl	871,950	1,200,000	41,902	67,620	991,915	823,973
Prof. Dr. Klaus-Dieter Maubach (until March 31, 2013)	–	–	–	–	–	-95,773
Dr. Bernhard Reutersberg	852,420	1,200,000	40,472	67,620	988,427	833,862
Klaus Schäfer (since September 1, 2013)	858,000	216,667	40,880	8,766	544,499	117,194
Dr. Marcus Schenck (until September 30, 2013)	–	–	–	–	–	-569,363
Regine Stachelhaus (until June 30, 2013)	–	–	–	–	–	-52,255
Mike Winkel (since April 1, 2013)	858,000	737,500	40,880	38,504	671,531	357,188
Total	**6,279,119**	**6,394,167**	**299,086**	**349,803**	**6,043,916**	**3,347,989**

[1]Consists of the LTI component (based on the target bonus) for the respective financial year for which at the time of granting no amount can be determined.
[2]We adjusted the figures for stock-based compensation for the 2013 financial year in line with the current version of the German Corporate Governance Code, which, unlike previously, now calls for the target value of the LTI component to be disclosed.
[3]Expenses in accordance with IFRS 2 for performance rights and virtual shares existing in the 2014 financial year.

Long-term variable compensation granted for the 2014 financial year totaled €6.3 million, on par with the prior-year figure of €6.4 million. Note 11 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Board of Management Pensions in 2014

The following table provides an overview of the current pension obligations to Board of Management members, the additions to provisions for pensions, and the cash value of pension obligations. The cash value of pension obligations is calculated pursuant to IFRS. An actuarial interest rate of 2.0 percent (prior year: 3.9 percent) was used for discounting.

Pensions of the Members of the Board of Management

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		(€)		(€)		Thereof interest cost (€)		(€)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Dr. Johannes Teyssen	75	75	930,000	930,000	1,249,640	1,261,272	606,883	557,940	22,991,882	15,561,093
Dr.-Ing. Leonhard Birnbaum[1] (since July 1, 2013)	–	–	–	–	286,783	163,494	6,376	–	768,503	163,494
Jørgen Kildahl[1]	–	–	–	–	346,559	351,268	43,747	29,555	1,702,035	1,121,712
Prof. Dr. Klaus-Dieter Maubach (until March 31, 2013)	–	60	–	420,000	–	198,794	–	55,574	–	7,326,862
Dr. Bernhard Reutersberg	70	70	490,000	490,000	410,247	1,156,390	410,247	356,556	13,188,286	10,519,155
Klaus Schäfer[1, 2] (since September 1, 2013)	–	–	–	–	253,183	89,020	100,307	31,242	4,072,393	2,571,968
Dr. Marcus Schenck (until September 30, 2013)	–	–	–	–	–	703,465	–	120,729	–	3,114,834
Regine Stachelhaus[1] (until June 30, 2013)	–	–	–	–	–	164,690	–	14,043	–	837,048
Mike Winkel[1, 2] (since April 1, 2013)	–	–	–	–	207,066	165,895	81,144	57,523	3,756,844	2,080,619

[1]Contribution Plan E.ON Management Board.
[2]Cash value includes benefit entitlements accrued in the E.ON Group prior to joining the Board of Management.

The cash value of Board of Management pensions for which provisions are required increased significantly relative to year-end 2013. The reason for the increase is that the most important valuation parameter—the actuarial interest rate used for discounting—was significantly below the prior-year figure due to the general development of interest rates in 2014.

Total Compensation in 2014

The total compensation of the members of the Board of Management in the 2014 financial year amounted to €16.2 million, approximately 10 percent below the prior-year figure of €18.1 million. Individual members of the Board of Management received the following total compensation:

Total Compensation of the Board of Management

€	Fixed annual compensation 2014	Fixed annual compensation 2013	Bonus 2014	Bonus 2013	Other compensation 2014	Other compensation 2013	Value of stock-based compensation granted[2, 3] 2014	Value of stock-based compensation granted[2, 3] 2013	Total 2014	Total 2013
Dr. Johannes Teyssen[1]	1,240,000	1,240,000	1,221,202	1,759,739	58,542	21,458	1,790,082	2,490,000	4,309,826	5,511,197
Dr.-Ing. Leonhard Birnbaum (since July 1, 2013)	800,000	400,000	964,000	341,000	19,211	449,082	1,048,667	550,000	2,831,878	1,740,082
Jørgen Kildahl[1]	700,000	700,000	572,151	851,951	19,426	32,650	871,950	1,200,000	2,163,527	2,784,601
Prof. Dr. Klaus-Dieter Maubach (until March 31, 2013)	–	175,000	–	80,000	–	3,095	–	–	–	258,095
Dr. Bernhard Reutersberg[1]	700,000	700,000	572,151	865,754	29,529	26,563	852,420	1,200,000	2,154,100	2,792,317
Klaus Schäfer (since September 1, 2013)	700,000	233,333	789,333	186,000	20,800	6,321	858,000	216,667	2,368,133	642,321
Dr. Marcus Schenck (until September 30, 2013)	–	675,000	–	1,224,528	–	16,863	–	–	–	1,916,391
Regine Stachelhaus (until June 30, 2013)	–	350,000	–	305,000	–	13,397	–	–	–	668,397
Mike Winkel (since April 1, 2013)	700,000	525,000	789,333	501,833	25,196	18,516	858,000	737,500	2,372,529	1,782,849
Total	**4,840,000**	**4,998,333**	**4,908,170**	**6,115,805**	**172,704**	**587,945**	**6,279,119**	**6,394,167**	**16,199,993**	**18,096,250**

[1]The bonus for the 2014 financial year includes the final setting of the long-term portion of the bonus for the 2012 financial year. Pursuant to the previous bonus system (see page 86 of the 2012 Annual Report), this resulted in reductions of €434,398 for Dr. Teyssen, €217,182 for Mr. Kildahl, and €217,182 for Dr. Reutersberg.
[2]The target value of stock-based compensation of the second tranche of the E.ON Share Matching Plan was €13.65 per virtual share of E.ON stock.
[3]The 2013 figure stock-based compensation has been corrected pursuant to the latest version of the Code. Contrary to previous practice, the LTI component is disclosed on the basis of target value.

The following table shows the compensation granted and allocated in 2014 in the format recommended by the German Corporate Governance Code:

Table of Compensation Granted and Allocated[1]

	Dr. Johannes Teyssen (Chairman of the Board of Management)					
	Compensation granted				Compensation allocated	
€	2013	2014	2014 (min.)	2014 (max.)[2, 3]	2013	2014
Fixed compensation	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000
Fringe benefits	21,458	58,542	58,542	58,542	21,458	58,542
Total	**1,261,458**	**1,298,542**	**1,298,542**	**1,298,542**	**1,261,458**	**1,298,542**
One-year variable compensation	**1,260,000**	**1,260,000**	**–**	**2,835,000**	**1,610,082**	**1,655,600**
Multi-year variable compensation	**2,490,000**	**1,790,082**	**–**	**3,580,164**	**149,657**	**-434,398**
– *Final calculation and payment of multi-year component of 2011 bonus*	–	–	–	–	*149,657*	–
– *Final calculation and payment of multi-year component of 2012 bonus*	–	–	–	–	–	*-434,398*
– *Share Matching Plan, first tranche (2013–2017)*	*1,860,000*	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	*630,000*	*1,160,082*	–	*2,320,164*	–	–
– *Share Matching Plan, third tranche (2015–2019)*	–	*630,000*	–	*1,260,000*	–	–
Total	**5,011,458**	**4,348,624**	**1,298,542**	**7,713,706**	**3,021,197**	**2,519,744**
Service cost	703,332	642,757	642,757	642,757	703,332	642,757
Total	**5,714,790**	**4,991,381**	**1,941,299**	**8,356,463**	**3,724,529**	**3,162,501**

[1]All the figures previously disclosed in the table entitled "Effective Compensation" are now disclosed in this table in the format recommended by the Code.
[2]The maximum amount disclosed under benefits granted represents the sum of the contractual (individual) caps for the various elements of the compensation of Board of Management members.
[3]The overall cap on Board of Management compensation, which was introduced in the 2013 financial year and is described on page 84, applies as well.

Table of Compensation Granted and Allocated

€	Dr.-Ing. Leonhard Birnbaum (Member of the Board of Management since July 1, 2013)					
	Compensation granted				Compensation allocated	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	400,000	800,000	800,000	800,000	400,000	800,000
Fringe benefits	449,082	19,211	19,211	19,211	449,082	19,211
Total	**849,082**	**819,211**	**819,211**	**819,211**	**849,082**	**819,211**
One-year variable compensation	**366,667**	**733,333**	**–**	**1,650,000**	**341,000**	**964,000**
Multi-year variable compensation	**550,000**	**1,048,667**	**–**	**2,097,334**	**–**	**–**
– *Final calculation and payment of multi-year component of 2011 bonus*	–	–	–	–	–	–
– *Final calculation and payment of multi-year component of 2012 bonus*	–	–	–	–	–	–
– *Share Matching Plan, first tranche (2013–2017)*	*366,667*	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	*183,333*	*682,000*	–	*1,364,000*	–	–
– *Share Matching Plan, third tranche (2015–2019)*	–	*366,667*	–	*733,334*	–	–
Total	**1,765,749**	**2,601,211**	**819,211**	**4,566,545**	**1,190,082**	**1,783,211**
Service cost	163,494	280,407	280,407	280,407	163,494	280,407
Total	**1,929,243**	**2,881,618**	**1,099,618**	**4,846,952**	**1,353,576**	**2,063,618**

See footnotes on page 89.

Table of Compensation Granted and Allocated

€	Jørgen Kildahl (Member of the Board of Management)					
	Compensation granted				Compensation allocated	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	700,000	700,000	700,000	700,000€	700,000	700,000
Fringe benefits	32,650	19,426	19,426	19,426€	32,650	19,426
Total	**732,650**	**719,426**	**719,426**	**719,426€**	**732,650**	**719,426**
One-year variable compensation	**600,000**	**600,000**	**–**	**1,350,000**	**771,950**	**789,333**
Multi-year variable compensation	**1,200,000**	**871,950**	**–**	**1,743,900**	**80,001**	**-217,182**
– *Final calculation and payment of multi-year component of 2011 bonus*	–	–	–	–	*80,001*	–
– *Final calculation and payment of multi-year component of 2012 bonus*	–	–	–	–	–	*-217,182*
– *Share Matching Plan, first tranche (2013–2017)*	*900,000*	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	*300,000*	*571,950*	–	*1,143,900*	–	–
– *Share Matching Plan, third tranche (2015–2019)*	–	*300,000*	–	*600,000*	–	–
Total	**2,532,650**	**2,191,376**	**719,426**	**3,813,326**	**1,584,601**	**1,291,577**
Service cost	321,713	302,812	302,812	302,812	321,713	302,812
Total	**2,854,363**	**2,494,188**	**1,022,238**	**4,116,138**	**1,906,314**	**1,594,389**

See footnotes on page 89.

Table of Compensation Granted and Allocated

	Dr. Bernhard Reutersberg (Member of the Board of Management)					
	Compensation granted				Compensation allocated	
€	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	700,000	700,000	700,000	700,000	700,000	700,000
Fringe benefits	26,563	29,529	29,529	29,529	26,563	29,529
Total	**726,563**	**729,529**	**729,529**	**729,529**	**726,563**	**729,529**
One-year variable compensation	**600,000**	**600,000**	**–**	**1,350,000**	**785,753**	**789,333**
Multi-year variable compensation	**1,200,000**	**852,420**	**–**	**1,704,840**	**80,001**	**-217,182**
– *Final calculation and payment of multi-year component of 2011 bonus*	–	–	–	–	*80,001*	–
– *Final calculation and payment of multi-year component of 2012 bonus*	–	–	–	–	–	*-217,182*
– *Share Matching Plan, first tranche (2013–2017)*	*900,000*	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	*300,000*	*552,420*	–	*1,104,840*	–	–
– *Share Matching Plan, third tranche (2015–2019)*	–	*300,000*	–	*600,000*	–	–
Total	**2,526,563**	**2,181,949**	**729,529**	**3,784,369**	**1,592,317**	**1,301,680**
Service cost	799,834	–	–	–	799,834	–
Total	**3,326,397**	**2,181,949**	**729,529**	**3,784,369**	**2,392,151**	**1,301,680**

See footnotes on page 89.

Table of Compensation Granted and Allocated

	Klaus Schäfer (Member of the Board of Management since September 1, 2013)					
	Compensation granted				Compensation allocated	
€	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	233,333	700,000	700,000	700,000	233,333	700,000
Fringe benefits	6,321	20,800	20,800	20,800	6,321	20,800
Total	**239,654**	**720,800**	**720,800**	**720,800**	**239,654**	**720,800**
One-year variable compensation	**200,000**	**600,000**	**–**	**1,350,000**	**186,000**	**789,333**
Multi-year variable compensation	**216,667**	**858,000**	**–**	**1,716,000**	**–**	**–**
– *Final calculation and payment of multi-year component of 2011 bonus*	–	–	–	–	–	–
– *Final calculation and payment of multi-year component of 2012 bonus*	–	–	–	–	–	–
– *Share Matching Plan, first tranche (2013–2017)*	*116,667*	–	–	–	–	–
– *Share Matching Plan, second tranche (2014–2018)*	*100,000*	*558,000*	–	*1,116,000*	–	–
– *Share Matching Plan, third tranche (2015–2019)*	–	*300,000*	–	*600,000*	–	–
Total	**656,321**	**2,178,800**	**720,800**	**3,786,800**	**425,654**	**1,510,133**
Service cost	57,778	152,876	152,876	152,876	57,778	152,876
Total	**714,099**	**2,331,676**	**873,676**	**3,939,676**	**483,432**	**1,663,009**

See footnotes on page 89.

Table of Compensation Granted and Allocated

€	Mike Winkel (Member of the Board of Management since April 1, 2013)					
	Compensation granted				Compensation allocated	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	525,000	700,000	700,000	700,000	525,000	700,000
Fringe benefits	18,516	25,196	25,196	25,196	18,516	25,196
Total	**543,516**	**725,196**	**725,196**	**725,196**	**543,516**	**725,196**
One-year variable compensation	**450,000**	**600,000**	**–**	**1,350,000**	**501,833**	**789,333**
Multi-year variable compensation	**737,500**	**858,000**	**–**	**1,716,000**	**–**	**–**
– Final calculation and payment of multi-year component of 2011 bonus	–	–	–	–	–	–
– Final calculation and payment of multi-year component of 2012 bonus	–	–	–	–	–	–
– Share Matching Plan, first tranche (2013–2017)	*512,500*	–	–	–	–	–
– Share Matching Plan, second tranche (2014–2018)	*225,000*	*558,000*	–	*1,116,000*	–	–
– Share Matching Plan, third tranche (2015–2019)	–	*300,000*	–	*600,000*	–	–
Total	**1,731,016**	**2,183,196**	**725,196**	**3,791,196**	**1,045,349**	**1,514,529**
Service cost	108,372	125,922	125,922	125,922	108,372	125,922
Total	**1,839,388**	**2,309,118**	**851,118**	**3,917,118**	**1,153,721**	**1,640,451**

See footnotes on page 89.

Table of Compensation Granted and Allocated

€	Prof. Dr. Klaus-Dieter Maubach (Member of the Board of Management until March 31, 2013)					
	Compensation granted				Compensation allocated	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	175,000	–	–	–	175,000	–
Fringe benefits	3,095	–	–	–	3,095	–
Total	**178,095**	**–**	**–**	**–**	**178,095**	**–**
One-year variable compensation	**225,000**	**–**	**–**	**–**	**225,000**	**–**
Multi-year variable compensation	**–**	**–**	**–**	**–**	**-145,000**	**–**
– Final calculation and payment of multi-year component of 2011 and 2012 bonus	–	–	–	–	*-145,000*	–
Total	**403,095**	**–**	**–**	**–**	**258,095**	**–**
Service cost	143,220	–	–	–	143,220	–
Total	**546,315**	**–**	**–**	**–**	**401,315**	**–**

See footnotes on page 89.

Table of Compensation Granted and Allocated

	Dr. Marcus Schenck (Member of the Board of Management until September 30, 2013)					
	Compensation granted				Compensation allocated	
€	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	675,000	–	–	–	675,000	–
Fringe benefits	16,863	–	–	–	16,863	–
Total	**691,863**	**–**	**–**	**–**	**691,863**	**–**
One-year variable compensation	**975,000**	**–**	**–**	**–**	**1,462,500**	**–**
Multi-year variable compensation	**–**	**–**	**–**	**–**	**-237,972**	**–**
– Final calculation and payment of multi-year component of 2011 and 2012 bonus	–	–	–	–	*-237,972*	–
Total	**1,666,863**	**–**	**–**	**–**	**1,916,391**	**–**
Service cost	582,736	–	–	–	582,736	–
Total	**2,249,599**	**–**	**–**	**–**	**2,499,127**	**–**

See footnotes on page 89.

Table of Compensation Granted and Allocated

	Regine Stachelhaus (Member of the Board of Management until June 30, 2013)					
	Compensation granted				Compensation allocated	
€	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	350,000	–	–	–	350,000	–
Fringe benefits	13,397	–	–	–	13,397	–
Total	**363,397**	**–**	**–**	**–**	**363,397**	**–**
One-year variable compensation	**450,000**	**–**	**–**	**–**	**450,000**	**–**
Multi-year variable compensation	**–**	**–**	**–**	**–**	**-145,000**	**–**
– Final calculation and payment of multi-year component of 2011 and 2012 bonus	–	–	–	–	*-145,000*	–
Total	**813,397**	**–**	**–**	**–**	**668,397**	**–**
Service cost	150,647	–	–	–	150,647	–
Total	**964,044**	**–**	**–**	**–**	**819,044**	**–**

See footnotes on page 89.

As in the prior year, E.ON SE and its subsidiaries granted no loans to, made no advance payments to, nor entered into any contingencies of behalf of the members of the Board of Management in the 2014 financial year. Page 218 contains additional information about the members of the Board of Management.

The following table provides a summary overview of the above-described components of the Board of Management's compensation as well as their metrics and parameters:

Summary Overview of Compensation Components

Compensation component	Metric/Parameter
Fixed compensation	
Base salary	• Board of Management Chairman: €1,240,000 • Board of Management members: €700,000 – €800,000
Fringe benefits	Chauffer-driven company car, telecommunications equipment, insurance premiums, medical examination
Performance-based compensation	
Annual bonus	• Target bonus at 100 percent target attainment: – Target bonus for Board of Management Chairman: €1,890,000 – Target bonus for Board of Management members: €900,000 – €1,100,000 • Cap: 200 percent of target bonus • Amount of bonus depends on – Company performance: actual EBITDA vs. budget; if necessary, adjusted – Individual performance factor • Divided into STI component (2/3) and LTI component (1/3)
Possibility of special compensation	May be awarded, at the Supervisory Board's discretion, for outstanding achievements as part of the annual bonus as long as the total bonus remains under the cap.
Long-term variable compensation: Share Matching Plan	• Granting of virtual shares of E.ON stock with a four-year vesting period – Target value for Board of Management Chairman: €1,260,000 – Target value for Board of Management members: €600,000 – €733,333 • Cap: 200 percent of the target value • Number of virtual shares: 1/3 from the annual bonus (LTI component) + base matching (1:1) + performance matching (1:0 to 1:2) depending on ROACE during vesting period • Value development depends on the 60-day average price of E.ON stock price at the end of the vesting period and on the dividend payments during the four-year vesting period
Pension benefits	
Final-salary-based benefits[1]	• Lifelong pension payment equaling a maximum of 75 percent of fixed compensation from age of 60 • Pension payments for widows and children equaling 60 percent and 15 percent, respectively, of pension entitlement
Contribution-based benefits	• Virtual contributions equaling a maximum of 18 percent of fixed compensation and target bonus • Virtual contributions capitalized using interest rate based on long-term German treasury notes • Payment of pension account balance from age 62 as a lifelong pension, in installments, or in a lump sum
Other compensation provisions	
Settlement cap	Maximum of two years' total compensation or the total compensation for the remainder of the service agreement
Settlement for change-of-control	Settlement equal to two or three target salaries (base salary, target bonus, and fringe benefits), reduced by 20 percent
Non-compete clause	For six months after termination of service agreement, prorated compensation equal to fixed compensation and target bonus, at a minimum 60 percent of most recently received compensation

[1]For Board of Management members appointed before 2010.

Payments Made to Former Members of the Board of Management

Total payments made to former Board of Management members and to their beneficiaries amounted to €10.2 million in 2014 (prior year: €14.5 million). Provisions of €175 million (prior year: €158 million) have been provided for pension obligations to former Board of Management members and their beneficiaries.

Compensation Plan for the Supervisory Board

The compensation of Supervisory Board members is determined by the Annual Shareholders Meeting and governed by Section 15 of the Company's Articles of Association. The purpose of the compensation plan is to enhance the Supervisory Board's independence for its oversight role. Furthermore, there are a number of duties that Supervisory Board members must perform irrespective of the Company's financial performance. Supervisory Board members—in addition to being reimbursed for their expenses—therefore receive fixed compensation and compensation for committee duties.

The Chairman of the Supervisory Board receives fixed compensation of €440,000; the Deputy Chairmen, €320,000. The other members of the Supervisory Board receive compensation of €140,000. The Chairman of the Audit and Risk Committee receives an additional €180,000; the members of the Audit and Risk Committee, an additional €110,000. Other committee chairmen receive an additional €140,000; committee members, an additional €70,000. Members serving on more than one committee receive the highest applicable committee compensation only. In contradistinction to the compensation just described, the Chairman and the Deputy Chairmen of the Supervisory Board receive no additional compensation for their committee duties. In addition, Supervisory Board members are paid an attendance fee of €1,000 per day for meetings of the Supervisory Board or its committees. Individuals who were members of the Supervisory Board or any of its committees for less than an entire financial year receive pro rata compensation.

Supervisory Board Compensation in 2014

The total compensation of the members of the Supervisory Board amounted to €3.1 million (prior year: €3.2 million). As in the prior year, no loans were outstanding or granted to Supervisory Board members in the 2014 financial year.

Supervisory Board Compensation

	Supervisory Board compensation		Compensation for committee duties		Supervisory Board compensation from affiliated companies		Total	
€	2014	2013	2014	2013	2014	2013	2014	2013
Werner Wenning	440,000	440,000	–	–	–	–	440,000	440,000
Prof. Dr. Ulrich Lehner	320,000	320,000	–	–	–	–	320,000	320,000
Erhard Ott	320,000	320,000	–	–	–	–	320,000	320,000
Clive Broutta (since July 1, 2014)	70,000	–	–	–	–	–	70,000	–
Gabriele Gratz (until December 31, 2013)	–	140,000	–	70,000	–	18,904	–	228,904
Baroness Denise Kingsmill CBE	140,000	140,000	–	–	–	–	140,000	140,000
Eugen-Gheorghe Luha	140,000	140,000	35,000	–	–	–	175,000	140,000
René Obermann	140,000	140,000	–	–	–	–	140,000	140,000
Klaus Dieter Raschke (until December 31, 2014)	140,000	140,000	110,000	110,000	–	20,070	250,000	270,070
Eberhard Schomburg	140,000	140,000	110,000	110,000	6,730	15,631	256,730	265,631
Fred Schulz	140,000	–	70,000	–	18,567	–	228,567	–
Dr. Karen de Segundo	140,000	140,000	70,000	70,000	–	–	210,000	210,000
Dr. Theo Siegert	140,000	140,000	180,000	180,000	–	–	320,000	320,000
Willem Vis (until June 30, 2014)	70,000	140,000	35,000	70,000	–	–	105,000	210,000
Subtotal	**2,340,000**	**2,340,000**	**610,000**	**610,000**	**25,297**	**54,605**	**2,975,297**	**3,004,605**
Attendance fees and meeting-related reimbursements							158,985	168,738
Total							**3,134,282**	**3,173,343**

An expense-based approach was used for Supervisory Board compensation and attendance fees shown for 2013 and 2014.

Other

The Company has taken out D&O insurance for Board of Management and Supervisory Board members. In accordance with the German Stock Corporation Act and the German Corporate Governance Code's recommendation, this insurance includes a deductible of 10 percent of the respective damage claim for Board of Management and Supervisory Board members. The deductible has a maximum cumulative annual cap of 150 percent of a member's annual fixed compensation.

Independent Auditors' Report

To E.ON SE, Düsseldorf

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of E.ON SE, Düsseldorf, and its subsidiaries, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of recognized income and expenses, the consolidated statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements for the business year from January 1, 2014 to December 31, 2014.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of E.ON SE, Düsseldorf, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2014 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of E.ON SE, Düsseldorf, which is combined with the management report of the company, for the business year from January 1, 2014 to December 31, 2014. The Board of Managing Directors of E.ON SE, Düsseldorf, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 2, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Michael Preiß
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

E.ON SE and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2014	2013[1]
Sales including electricity and energy taxes		113,053	121,452
Electricity and energy taxes		-1,497	-1,764
Sales	(5)	**111,556**	**119,688**
Changes in inventories (finished goods and work in progress)		-61	-22
Own work capitalized	(6)	345	364
Other operating income	(7)	10,966	10,681
Cost of materials	(8)	-98,496	-105,719
Personnel costs	(11)	-4,121	-4,604
Depreciation, amortization and impairment charges	(14)	-8,667	-5,205
Other operating expenses	(7)	-11,834	-9,902
Income from companies accounted for under the equity method		-273	-210
Income/Loss from continuing operations before financial results and income taxes		**-585**	**5,071**
Financial results	(9)	-1,794	-1,992
Income/Loss from equity investments		*16*	*–*
Income from other securities, interest and similar income		*882*	*580*
Interest and similar expenses		*-2,692*	*-2,572*
Income taxes	(10)	-576	-718
Income/Loss from continuing operations		**-2,955**	**2,361**
Income from discontinued operations, net	(4)	-175	98
Net loss/income		**-3,130**	**2,459**
Attributable to shareholders of E.ON SE		*-3,160*	*2,091*
Attributable to non-controlling interests		*30*	*368*
in €			
Earnings per share (attributable to shareholders of E.ON SE)—basic and diluted	(13)		
from continuing operations		-1.55	1.05
from discontinued operations		-0.09	0.05
from net loss/income		**-1.64**	**1.10**

[1]Because of the initial application of IFRS 10 and IFRS 11, and to account for the reporting of discontinued operations, the comparative prior-year figures have been adjusted (see also Notes 2 and 4).

E.ON SE and Subsidiaries Consolidated Statements of Recognized Income and Expenses

€ in millions	2014	2013[1]
Net loss/income	**-3,130**	**2,459**
Remeasurements of defined benefit plans	-3,299	504
Remeasurements of defined benefit plans of companies accounted for under the equity method	-26	-12
Income taxes	943	-260
Items that will not be reclassified subsequently to the income statement[2]	**-2,382**	**232**
Cash flow hedges	-718	112
Unrealized changes	*-55*	*124*
Reclassification adjustments recognized in income	*-663*	*-12*
Available-for-sale securities	-262	368
Unrealized changes	*-26*	*531*
Reclassification adjustments recognized in income	*-236*	*-163*
Currency translation adjustments	-2,530	-1,296
Unrealized changes	*-2,557*	*-1,347*
Reclassification adjustments recognized in income	*27*	*51*
Companies accounted for under the equity method	-27	-972
Unrealized changes	*-27*	*-628*
Reclassification adjustments recognized in income	*–*	*-344*
Income taxes	242	-21
Items that might be reclassified subsequently to the income statement	**-3,295**	**-1,809**
Total income and expenses recognized directly in equity	**-5,677**	**-1,577**
Total recognized income and expenses (total comprehensive income)	**-8,807**	**882**
Attributable to shareholders of E.ON SE	*-8,358*	*604*
Attributable to non-controlling interests	*-449*	*278*

[1]Because of the initial application of IFRS 10 and IFRS 11, the comparative prior-year figures have been adjusted (see also Note 2).
[2]Expenses totaling €52 million are attributable to discontinued operations (see also Note 4).

E.ON SE and Subsidiaries Consolidated Balance Sheets—Assets

€ in millions	Note	December 31 2014	December 31 2013[1]	January 1, 2013[1]
Goodwill	(14)	11,812	12,666	13,309
Intangible assets	(14)	4,882	6,648	6,931
Property, plant and equipment	(14)	41,273	50,083	53,940
Companies accounted for under the equity method	(15)	5,009	5,652	4,139
Other financial assets	(15)	6,354	6,410	6,358
Equity investments		*1,573*	*1,966*	*1,612*
Non-current securities		*4,781*	*4,444*	*4,746*
Financial receivables and other financial assets	(17)	3,533	3,550	3,692
Operating receivables and other operating assets	(17)	3,947	3,074	3,391
Income tax assets	(10)	83	172	123
Deferred tax assets	(10)	6,172	7,325	5,482
Non-current assets		**83,065**	**95,580**	**97,365**
Inventories	(16)	3,356	4,147	4,735
Financial receivables and other financial assets	(17)	1,376	1,654	2,125
Trade receivables and other operating assets	(17)	24,311	21,074	24,835
Income tax assets	(10)	1,745	1,030	918
Liquid funds	(18)	6,067	7,814	7,046
Securities and fixed-term deposits		*1,812*	*2,648*	*3,781*
Restricted cash and cash equivalents		*1,064*	*639*	*449*
Cash and cash equivalents		*3,191*	*4,527*	*2,816*
Assets held for sale	(4)	5,770	1,031	5,261
Current assets		**42,625**	**36,750**	**44,920**
Total assets		**125,690**	**132,330**	**142,285**

[1]Because of the initial application of IFRS 10, IFRS 11 and IAS 32, the comparative prior-year figures have been adjusted (see also Note 2).

E.ON SE and Subsidiaries Consolidated Balance Sheets—Equity and Liabilities

€ in millions	Note	December 31 2014	December 31 2013[1]	January 1, 2013[1]
Capital stock	(19)	2,001	2,001	2,001
Additional paid-in capital	(20)	13,077	13,733	13,740
Retained earnings	(21)	16,842	23,306	23,173
Accumulated other comprehensive income	(22)	-4,833	-1,833	-147
Treasury shares	(19)	-2,502	-3,484	-3,505
Equity attributable to shareholders of E.ON SE		**24,585**	**33,723**	**35,262**
Non-controlling interests (before reclassification)		2,723	3,574	4,445
Reclassification related to put options		-595	-659	-583
Non-controlling interests	(23)	**2,128**	**2,915**	**3,862**
Equity		**26,713**	**36,638**	**39,124**
Financial liabilities	(26)	15,784	18,051	21,766
Operating liabilities	(26)	7,804	6,754	6,616
Income taxes	(10)	2,651	2,317	2,053
Provisions for pensions and similar obligations	(24)	5,574	3,418	4,945
Miscellaneous provisions	(25)	25,802	24,735	24,935
Deferred tax liabilities	(10)	5,720	7,904	6,781
Non-current liabilities		**63,335**	**63,179**	**67,096**
Financial liabilities	(26)	3,883	4,673	3,620
Trade payables and other operating liabilities	(26)	24,615	21,457	25,835
Income taxes	(10)	797	1,723	1,393
Miscellaneous provisions	(25)	4,120	4,353	4,020
Liabilities associated with assets held for sale	(4)	2,227	307	1,197
Current liabilities		**35,642**	**32,513**	**36,065**
Total equity and liabilities		**125,690**	**132,330**	**142,285**

[1]Because of the initial application of IFRS 10, IFRS 11 and IAS 32, the comparative prior-year figures have been adjusted (see also Note 2).

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2014	2013[1]
Net loss/income	**-3,130**	**2,459**
Income/Loss from discontinued operations, net	175	-98
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	8,667	5,205
Changes in provisions	1,266	1,312
Changes in deferred taxes	623	-679
Other non-cash income and expenses	1,089	820
Gain/Loss on disposal of	-941	-2,050
Intangible assets and property, plant and equipment	*-104*	*-66*
Equity investments	*-663*	*-1,821*
Securities (> 3 months)	*-174*	*-163*
Changes in operating assets and liabilities and in income taxes	-1,496	-709
Inventories and carbon allowances	*878*	*-207*
Trade receivables	*1,488*	*1,332*
Other operating receivables and income tax assets	*-8,183*	*1,304*
Trade payables	*-124*	*-2,292*
Other operating liabilities and income taxes	*4,445*	*-846*
Cash provided by operating activities of continuing operations (operating cash flow)[2]	**6,253**	**6,260**
Cash provided by operating activities of discontinued operations	225	189
Cash provided by operating activities	**6,478**	**6,449**
Proceeds from disposal of	2,551	7,120
Intangible assets and property, plant and equipment	*318*	*574*
Equity investments	*2,233*	*6,546*
Purchases of investments in	-4,633	-7,992
Intangible assets and property, plant and equipment	*-3,994*	*-4,480*
Equity investments	*-639*	*-3,512*
Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits	4,506	5,268
Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits	-5,251	-4,773
Changes in restricted cash and cash equivalents	-421	-195
Cash used for investing activities of continuing operations	**-3,248**	**-572**
Cash provided by (used for) investing activities of discontinued operations	13	-110
Cash used for investing activities	**-3,235**	**-682**
Payments received/made from changes in capital[3]	-28	-4
Cash dividends paid to shareholders of E.ON SE	-840	-2,097
Cash dividends paid to non-controlling interests	-199	-233
Proceeds from financial liabilities	2,282	1,346
Repayments of financial liabilities	-5,798	-3,008
Cash used for financing activities of continuing operations	**-4,583**	**-3,996**
Cash provided by (used for) financing activities of discontinued operations	-28	4
Cash used for financing activities	**-4,611**	**-3,992**

[1]Because of the initial application of IFRS 10 and IFRS 11, and to account for the reporting of discontinued operations, the comparative prior-year figures have been adjusted (see also Notes 2 and 4).
[2]Additional information on operating cash flow is provided in Notes 29 and 33.
[3]No material netting has taken place in either of the years presented here. The non-cash financing activity resulting from the scrip dividend is discussed in Notes 19 and 21.

E.ON SE and Subsidiaries Consolidated Statements of Cash Flows

€ in millions	2014	2013[1]
Net decrease/increase in cash and cash equivalents	**-1,368**	**1,775**
Effect of foreign exchange rates on cash and cash equivalents	45	-59
Cash and cash equivalents at the beginning of the year[4]	4,539	2,823
Cash and cash equivalents at the end of the year	**3,216**	**4,539**
Less: Cash and cash equivalents of discontinued operations at the end of the year	**19**	**25**
Cash and cash equivalents of continuing operations at the end of the year[5]	**3,197**	**4,514**
Supplementary Information on Cash Flows from Operating Activities		
Income taxes paid (less refunds)	-949	-966
Interest paid	-1,484	-1,297
Interest received	437	543
Dividends received	292	623

[1]Because of the initial application of IFRS 10 and IFRS 11, and to account for the reporting of discontinued operations, the comparative prior-year figures have been adjusted (see also Notes 2 and 4).
[4]Cash and cash equivalents of continuing operations at the beginning of 2014 also include an amount of €12 million at the Pražská plynárenská group, which was disposed of in the first quarter of 2014. The figure for 2013 includes a combined total of €7 million at E.ON Thüringer Energie and at E.ON Energy from Waste, both of which had been presented as disposal groups.
[5]Cash and cash equivalents of continuing operations at the end of 2014 also included a combined total of €6 million from the generation activities in Spain and Italy, which are presented as disposal groups. In 2013, this line included an amount of €12 million at the Pražská plynárenská group, which had been presented as a disposal group.

Additional information on the Statements of Cash Flows is provided in Note 29.

Statement of Changes in Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income: Currency translation adjustments	Available-for-sale securities	Cash flow hedges
Balance as of January 1, 2013	**2,001**	**13,740**	**22,869**	**-614**	**810**	**-343**
IFRS 10, IFRS 11 adjustment			304			
Balance as of January 1, 2013	**2,001**	**13,740**	**23,173**	**-614**	**810**	**-343**
Change in scope of consolidation						
Treasury shares repurchased/sold		-7				
Capital increase						
Capital decrease						
Dividends			-2,097			
Share additions			-60			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			2,290	-2,128	391	51
Net income			*2,091*			
Other comprehensive income			*199*	*-2,128*	*391*	*51*
Remeasurements of defined benefit plans			*199*			
Changes in accumulated other comprehensive income				*-2,128*	*391*	*51*
Balance as of December 31, 2013[1]	**2,001**	**13,733**	**23,306**	**-2,742**	**1,201**	**-292**
Balance as of January 1, 2014[1]	**2,001**	**13,733**	**23,306**	**-2,742**	**1,201**	**-292**
Change in scope of consolidation						
Treasury shares repurchased/sold		-656	-9			
Capital increase						
Capital decrease						
Dividends			-1,145			
Share additions			48			
Net additions/disposals from reclassification related to put options						
Total comprehensive income			-5,358	-2,175	-314	-511
Net loss			*-3,160*			
Other comprehensive income			*-2,198*	*-2,175*	*-314*	*-511*
Remeasurements of defined benefit plans			*-2,198*			
Changes in accumulated other comprehensive income				*-2,175*	*-314*	*-511*
Balance as of December 31, 2014	**2,001**	**13,077**	**16,842**	**-4,917**	**887**	**-803**

[1]Because of the initial application of IFRS 10 and IFRS 11, the comparative prior-year figures have been adjusted (see also Note 2).

Treasury shares	Equity attributable to shareholders of E.ON SE	Non-controlling interests (before reclassification)	Reclassification related to put options	Non-controlling interests	Total
-3,505	**34,958**	**4,410**	**-548**	**3,862**	**38,820**
	304	35	-35	0	304
-3,505	**35,262**	**4,445**	**-583**	**3,862**	**39,124**
		-944		-944	-944
21	14				14
		44		44	44
		-31		-31	-31
	-2,097	-243		-243	-2,340
	-60	25		25	-35
			-76	-76	-76
	604	278		278	882
	2,091	*368*		*368*	*2,459*
	-1,487	*-90*		*-90*	*-1,577*
	199	*33*		*33*	*232*
	-1,686	*-123*		*-123*	*-1,809*
-3,484	**33,723**	**3,574**	**-659**	**2,915**	**36,638**
-3,484	**33,723**	**3,574**	**-659**	**2,915**	**36,638**
		-115		-115	-115
982	317				317
		6		6	6
		-15		-15	-15
	-1,145	-207		-207	-1,352
	48	-71		-71	-23
			64	64	64
	-8,358	-449		-449	-8,807
	-3,160	*30*		*30*	*-3,130*
	-5,198	*-479*		*-479*	*-5,677*
	-2,198	*-184*		*-184*	*-2,382*
	-3,000	*-295*		*-295*	*-3,295*
-2,502	**24,585**	**2,723**	**-595**	**2,128**	**26,713**

(1) Summary of Significant Accounting Policies

Basis of Presentation

These Consolidated Financial Statements have been prepared in accordance with Section 315a (1) of the German Commercial Code ("HGB") and with those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations ("IFRIC") that were adopted by the European Commission for use in the EU as of the end of the fiscal year, and whose application was mandatory as of December 31, 2014.

Principles

The Consolidated Financial Statements of the E.ON Group ("E.ON" or the "Group") are generally prepared based on historical cost, with the exception of available-for-sale financial assets that are measured at fair value and of financial assets and liabilities (including derivative financial instruments) that are recognized in income and measured at fair value.

Scope of Consolidation

The Consolidated Financial Statements incorporate the financial statements of E.ON SE and entities controlled by E.ON ("subsidiaries"). Control exists when E.ON as the investor has the current ability to direct the relevant activities of the investee entity. Relevant activities are those activities that most significantly affect the performance of a business. In addition, E.ON must participate in this business performance in the form of variable returns and be able to influence those returns to its benefit through existing opportunities and rights. Control is normally deemed established if E.ON directly or indirectly holds a majority of the voting rights in the investee. In structured entities, control can be established be means of contractual arrangements.

The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Income from the date of acquisition or until the date of their disposal, respectively.

Where necessary, adjustments are made to the subsidiaries' financial statements to bring their accounting policies into line with those of the Group. Intercompany receivables, liabilities and results between Group companies are eliminated in the consolidation process.

Associated Companies

An associate is an entity over whose relevant activities E.ON has significant influence, but which is neither a subsidiary nor an interest in a joint venture. Significant influence exists when E.ON has the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control these decisions. Significant influence is generally presumed if E.ON directly or indirectly holds at least 20 percent, but not more than 50 percent, of an entity's voting rights.

Interests in associated companies are accounted for using the equity method. In addition, majority-owned companies in which E.ON does not exercise control due to restrictions concerning the control of assets or management are also generally accounted for using the equity method.

Interests in associated companies accounted for using the equity method are reported on the balance sheet at cost, adjusted for changes in the Group's share of the net assets after the date of acquisition and for any impairment charges. Losses that might potentially exceed the Group's interest in an associated company when attributable long-term loans are taken into consideration are generally not recognized. Any difference between the cost of the investment and the remeasured value of its net assets is recognized in the Consolidated Financial Statements as part of the carrying amount.

Unrealized gains and losses arising from transactions with associated companies accounted for using the equity method are eliminated within the consolidation process on a pro-rata basis if and insofar as these are material.

Companies accounted for using the equity method are tested for impairment by comparing the carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is adjusted for this difference. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed accordingly.

The financial statements of equity interests accounted for using the equity method are generally prepared using accounting that is uniform within the Group.

Joint Ventures

Joint ventures are also accounted for using the equity method. Unrealized gains and losses arising from transactions with joint-venture companies are eliminated within the consolidation process on a pro-rata basis if and insofar as these are material.

Joint Operations

A joint operation exists when E.ON and the other parties to a joint arrangement have direct rights to the assets, and obligations for the liabilities, attributable to the operation. In a joint operation, assets and liabilities, as well as revenues and expenses, are recognized pro rata according to the rights and obligations attributable to E.ON.

Business Combinations

Business combinations are accounted for by applying the purchase method, whereby the purchase price is offset against the proportional share in the acquired company's net assets. In doing so, the values at the acquisition date that corresponds to the date at which control of the acquired company was attained are used as a basis. The acquiree's identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests. The fair values of individual assets are determined using published exchange or market prices at the time of acquisition in the case of marketable securities, for example, and in the case of land, buildings and major technical equipment, generally using independent expert reports that have been prepared by third parties. If exchange or market prices are unavailable for consideration, fair values are determined using the most reliable information available that is based on market prices for comparable assets or on suitable valuation techniques. In such cases, E.ON determines fair value using the discounted cash flow method by discounting estimated future cash flows by a weighted-average cost of capital. Estimated cash flows are consistent with the internal mid-term planning data for the next three years, followed by two additional years of cash flow projections, which are extrapolated until the end of an asset's useful life using a growth rate based on industry and internal projections. The discount rate reflects the specific risks inherent in the acquired activities.

Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-by-case basis. The partial goodwill method is generally used within the E.ON Group.

Transactions with holders of non-controlling interests are treated in the same way as transactions with investors. Should the acquisition of additional shares in a subsidiary result in a difference between the cost of purchasing the shares and the carrying amounts of the non-controlling interests acquired, that difference must be fully recognized in equity.

Gains and losses from disposals of shares to subsidiaries are also recognized in equity, provided that such disposals do not coincide with a loss of control.

Intangible assets must be recognized separately from goodwill if they are clearly separable or if their recognition arises from a contractual or other legal right. Provisions for restructuring measures may not be recorded in a purchase price allocation. If the purchase price paid exceeds the proportional share in the net assets at the time of acquisition, the positive difference is recognized as goodwill. No goodwill is recognized for positive differences attributable to non-controlling interests. A negative difference is immediately recognized in income.

Foreign Currency Translation

The Company's transactions denominated in foreign currency are translated at the current exchange rate at the date of the transaction. Monetary foreign currency items are adjusted to the current exchange rate at each balance sheet date; any gains and losses resulting from fluctuations in the relevant currencies, and the effects upon realization, are recognized in income and reported as other operating income and other operating expenses, respectively. Gains and losses from the translation of non-derivative financial instruments used in hedges of net investments in foreign operations are recognized in equity as a component of other comprehensive income. The ineffective portion of the hedging instrument is immediately recognized in income.

The functional currency as well as the reporting currency of E.ON SE is the euro. The assets and liabilities of the Company's foreign subsidiaries with a functional currency other than the euro are translated using the exchange rates applicable on the balance sheet date, while items of the statements of income are translated using annual average exchange rates. Material transactions of foreign subsidiaries occurring during the fiscal year are translated in the financial statements using the exchange rate at the date of the transaction. Differences arising from the translation of assets and liabilities compared with the corresponding translation of the prior year, as well as exchange rate differences between the income statement and the balance sheet, are reported separately in equity as a component of other comprehensive income.

Foreign currency translation effects that are attributable to the cost of monetary financial instruments classified as available for sale are recognized in income. In the case of fair-value adjustments of monetary financial instruments and for non-monetary financial instruments classified as available for sale, the foreign currency translation effects are recognized in equity as a component of other comprehensive income.

Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases. The Brazilian real is not freely convertible.

The following table depicts the movements in exchange rates for the periods indicated for major currencies of countries outside the European Monetary Union:

Currencies

	ISO Code	€1, rate at year-end 2014	€1, rate at year-end 2013	€1, annual average rate 2014	€1, annual average rate 2013
British pound	GBP	0.78	0.83	0.81	0.85
Brazilian real	BRL	3.22	3.26	3.12	2.87
Norwegian krone	NOK	9.04	8.36	8.35	7.81
Russian ruble	RUB	72.34	45.32	50.95	42.23
Swedish krona	SEK	9.39	8.86	9.10	8.65
Turkish lira	TRY	2.83	2.96	2.91	2.53
Hungarian forint	HUF	315.54	297.04	308.71	296.87
U.S. dollar	USD	1.21	1.38	1.33	1.33

Recognition of Income

a) Revenues

The Company generally recognizes revenue upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of goods and services are measured at the fair value of the consideration received or receivable. They reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of the last invoice and the end of the period.

Revenues include the surcharge mandated by the German Renewable Energy Sources Act and are presented net of sales taxes, returns, rebates and discounts, and after elimination of intragroup sales.

Revenues are generated primarily from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets. Also shown in this line item are revenues earned from the distribution of electricity and gas and from deliveries of steam, heat and water.

b) Interest Income

Interest income is recognized pro rata using the effective interest method.

c) Dividend Income

Dividend income is recognized when the right to receive the distribution payment arises.

Electricity and Energy Taxes

The electricity tax is levied on electricity delivered to retail customers and is calculated on the basis of a fixed tax rate per kilowatt-hour ("kWh"). This rate varies between different classes of customers. Electricity and energy taxes paid are deducted from sales revenues on the face of the income statement if those taxes are levied upon delivery of energy to the retail customer.

Accounting for Reductions of Shareholdings in Subsidiaries or Associated Companies

If a subsidiary or associated company sells shares to a third party, leading to a reduction in E.ON's ownership interest in the relevant company ("dilution"), and consequently to a loss of control, joint control or significant influence, gains and losses from these dilutive transactions are included in the income statement under other operating income or expenses.

Earnings per Share

Basic (undiluted) earnings per share is computed by dividing the consolidated net income attributable to the shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the relevant period. At E.ON, the computation of diluted earnings per share is identical to that of basic earnings per share because E.ON SE has issued no potentially dilutive ordinary shares.

Goodwill and Intangible Assets

Goodwill

According to IFRS 3, "Business Combinations," ("IFRS 3") goodwill is not amortized, but rather tested for impairment at the cash-generating unit level on at least an annual basis. Impairment tests must also be performed between these annual tests if events or changes in circumstances indicate that the carrying amount of the respective cash-generating unit might not be recoverable.

Newly created goodwill is allocated to those cash-generating units expected to benefit from the respective business combination. The cash-generating units to which goodwill is allocated are generally equivalent to the operating segments, since goodwill is reported, and considered in performance metrics for controlling, only at that level. With some exceptions, goodwill impairment testing is performed in euro, while the underlying goodwill is always carried in the functional currency.

In a goodwill impairment test, the recoverable amount of a cash-generating unit is compared with its carrying amount, including goodwill. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. In a first step, E.ON determines the recoverable amount of a cash-generating unit on the basis of the fair value (less costs to sell) using generally accepted valuation procedures. This is based on the medium-term planning data of the respective cash-generating unit. Valuation is performed using the discounted cash flow method, and accuracy is verified through the use of appropriate multiples, to the extent available. In addition, market transactions or valuations prepared by third parties for comparable assets are used to the extent available. If needed, a calculation of value in use is also performed. Unlike fair value, the value in use is calculated from the viewpoint of management. In accordance with IAS 36, "Impairment of Assets," ("IAS 36") it is further ensured that restructuring expenses, as well as initial and subsequent capital investments (where those have not yet commenced), in particular, are not included in the valuation.

If the carrying amount exceeds the recoverable amount, the goodwill allocated to that cash-generating unit is adjusted in the amount of this difference.

If the impairment thus identified exceeds the goodwill allocated to the affected cash-generating unit, the remaining assets of the unit must be written down in proportion to their carrying amounts. Individual assets may be written down only if their respective carrying amounts do not fall below the highest of the following values as a result:

- Fair value less costs to sell
- Value in use, or
- Zero.

Any additional impairment loss that would otherwise have been allocated to the asset concerned must instead be allocated pro rata to the remaining assets of the unit.

E.ON has elected to perform the annual testing of goodwill for impairment at the cash-generating unit level in the fourth quarter of each fiscal year.

Impairment charges on the goodwill of a cash-generating unit and reported in the income statement under "Depreciation, amortization and impairment charges" may not be reversed in subsequent reporting periods.

Intangible Assets

IAS 38, "Intangible Assets," ("IAS 38") requires that intangible assets be amortized over their expected useful lives unless their lives are considered to be indefinite. Factors such as typical product life cycles and legal or similar limits on use are taken into account in the classification.

Acquired intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. Internally generated intangible assets subject to amortization are related to software. Intangible assets subject to amortization are measured at cost and useful lives. The useful lives of marketing-related, customer-related and contract-based intangible assets generally range between 5 and 25 years. Technology-based intangible assets are generally amortized over a useful life of between 3 and 5 years. This category includes software in particular. Contract-based intangible assets are amortized in accordance with the provisions specified in the contracts. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

Intangible assets not subject to amortization are measured at cost and tested for impairment annually or more frequently if events or changes in circumstances indicate that such assets may be impaired. Moreover, such assets are reviewed annually to determine whether an assessment of indefinite useful life remains applicable.

In accordance with IAS 36, the carrying amount of an intangible asset, whether subject to amortization or not, is tested for impairment by comparing the carrying value with the asset's recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Should the carrying amount exceed the corresponding recoverable amount, an impairment charge equal to the difference between the carrying amount and the recoverable amount is recognized and reported in income under "Depreciation, amortization and impairment charges."

If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed. A reversal shall not cause the carrying amount of an intangible asset subject to amortization to exceed the amount that would have been determined, net of amortization, had no impairment loss been recognized during the period.

If a recoverable amount cannot be determined for an individual intangible asset, the recoverable amount for the smallest identifiable group of assets (cash-generating unit) that the intangible asset may be assigned to is determined. See Note 14 for additional information about goodwill and intangible assets.

Research and Development Costs

Under IFRS, research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, recognized development costs must be capitalized as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the 2014 and 2013 fiscal years, these criteria were not fulfilled, except in the case of internally generated software.

Emission Rights

Under IFRS, emission rights held under national and international emission-rights systems for the settlement of obligations are reported as intangible assets. Because emission rights are not depleted as part of the production process, they are reported as intangible assets not subject to amortization. Emission rights are capitalized at cost at the time of acquisition.

A provision is recognized for emissions produced. The provision is measured at the carrying amount of the emission rights held or, in the case of a shortfall, at the current fair value of the emission rights needed. The expenses incurred for the recognition of the provision are reported under cost of materials.

Property, Plant and Equipment

Property, plant and equipment are initially measured at acquisition or production cost, including decommissioning or restoration cost that must be capitalized, and are depreciated over the expected useful lives of the components, generally using the straight-line method, unless a different method of depreciation is deemed more suitable in certain exceptional cases. The useful lives of the major components of property, plant and equipment are presented below:

Useful Lives of Property, Plant and Equipment	
Buildings	10 to 50 years
Technical equipment, plant and machinery	10 to 65 years
Other equipment, fixtures, furniture and office equipment	3 to 25 years

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, property, plant and equipment are tested for impairment according to the principles prescribed for intangible assets in IAS 36. If an impairment loss is determined, the remaining useful life of the asset might also be subject to adjustment, where applicable. If the reasons for previously recognized impairment losses no longer exist, such impairment losses are reversed and recognized in income. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place during the preceding periods.

Investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income.

Subsequent costs arising, for example, from additional or replacement capital expenditure are only recognized as part of the acquisition or production cost of the asset, or else—if relevant—recognized as a separate asset if it is probable that the Group will receive a future economic benefit and the cost can be determined reliably.

Repair and maintenance costs that do not constitute significant replacement capital expenditure are expensed as incurred.

Exploration for and Evaluation of Mineral Resources

The exploration and field development expenditures are accounted for using the so-called "successful efforts method." In accordance with IFRS 6, "Exploration for and Evaluation of Mineral Resources," ("IFRS 6") expenditures for exploratory drilling for which the outcome is not yet certain are initially capitalized as an intangible asset.

Upon discovery of oil and/or gas reserves and field development approval, the relevant expenditures are reclassified as property, plant and equipment. Such property, plant and equipment is then depreciated in accordance with production volumes. For uneconomical drilling, the previously capitalized expenditures are immediately expensed. Other capitalized expenditures are also written off once it is determined that no viable reserves could be found. Other expenses for geological and geophysical work (seismology) and licensing fees are immediately expensed.

Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a financing rate uniform within the Group of 5.5 percent was applied for 2014 (2013: 5.25 percent). Other borrowing costs are expensed.

Government Grants

Government investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income. They are recognized in income on a straight-line basis over the associated asset's expected useful life.

Government grants are recognized at fair value if it is highly probable that the grant will be issued and if the Group satisfies the necessary conditions for receipt of the grant.

Government grants for costs are posted as income over the period in which the costs to be compensated through the respective grants are incurred.

Leasing

Leasing transactions are classified according to the lease agreements and to the underlying risks and rewards specified therein in line with IAS 17, "Leases" ("IAS 17"). In addition, IFRIC 4, "Determining Whether an Arrangement Contains a Lease," ("IFRIC 4") further defines the criteria as to whether an agreement that conveys a right to use an asset meets the definition of a lease. Certain purchase and supply contracts in the electricity and gas business as well as certain rights of use may be classified as leases if the criteria are met. E.ON is party to some agreements in which it is the lessor and to others in which it is the lessee.

Leasing transactions in which E.ON is the lessee are classified either as finance leases or operating leases. If the Company bears substantially all of the risks and rewards incident to ownership of the leased property, the lease is classified as a finance lease. Accordingly, the Company recognizes on its balance sheet the asset and the associated liability in equal amounts.

Recognition takes place at the beginning of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The leased property is depreciated over its useful economic life or, if it is shorter, the term of the lease. The liability is subsequently measured using the effective interest method.

All other transactions in which E.ON is the lessee are classified as operating leases. Payments made under operating leases are generally expensed over the term of the lease.

Leasing transactions in which E.ON is the lessor and substantially all the risks and rewards incident to ownership of the leased property are transferred to the lessee are classified as finance leases. In this type of lease, E.ON records the present value of the minimum lease payments as a receivable. Payments by the lessee are apportioned between a reduction of the lease receivable and interest income. The income from such arrangements is recognized over the term of the lease using the effective interest method.

All other transactions in which E.ON is the lessor are treated as operating leases. E.ON retains the leased property on its balance sheet as an asset, and the lease payments are generally recorded on a straight-line basis as income over the term of the lease.

Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are recognized at fair value, including transaction costs, on the settlement date when acquired. IFRS 13, "Fair Value Measurement," ("IFRS 13") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). The valuation techniques used are classified according to the fair value hierarchy provided for by IFRS 13.

Unconsolidated equity investments and securities are measured in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). E.ON categorizes financial assets as held for trading, available for sale, or as loans and receivables. Management determines the categorization of the financial assets at initial recognition.

Securities categorized as available for sale are carried at fair value on a continuing basis, with any resulting unrealized gains and losses, net of related deferred taxes, reported as a component of equity (other comprehensive income) until realized. Realized gains and losses are determined by analyzing each transaction individually. If there is objective evidence of impairment, any losses previously recognized in other comprehensive income are instead recognized in financial results. When estimating a possible impairment loss, E.ON takes into consideration all available information, such as market conditions and the length and extent of the impairment. If the value on the balance sheet date of the equity instruments classified as available for sale and of similar long-term investments is more than 20 percent below their cost, or if the value has been below its cost for a period of more than twelve months, this constitutes objective evidence of impairment. For debt instruments, objective evidence of impairment is generally deemed present if ratings have deteriorated from investment-grade to non-investment-grade. Reversals of impairment losses relating to equity instruments are recognized exclusively in equity, while reversals relating to debt instruments are recognized entirely in income.

Loans and receivables (including trade receivables) are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the balance sheet under "Receivables and other assets." They are subsequently measured at amortized cost. Valuation allowances are provided for identifiable individual risks.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortized cost, using the effective interest method. Initial measurement takes place at fair value, with transaction costs included in the measurement. In subsequent periods, the amortization and accretion of any premium or discount is included in financial results.

Derivative Financial Instruments and Hedging

Derivative financial instruments and separated embedded derivatives are measured at fair value as of the trade date at initial recognition and in subsequent periods. IAS 39 requires that they be categorized as held for trading as long as they are not a component of a hedge accounting relationship. Gains and losses from changes in fair value are immediately recognized in net income.

The instruments primarily used are foreign currency forwards and cross-currency interest rate swaps, as well as interest rate swaps and options. In commodities, the instruments used include physically and financially settled forwards and options related to electricity, gas, coal, oil and emission rights.

As part of fair value measurement in accordance with IFRS 13, the counterparty risk is also taken into account for derivative financial instruments. E.ON determines this risk based on a portfolio valuation in a bilateral approach for both own credit risk (debt value adjustment) and the credit risk of the corresponding counterparty (credit value adjustment). The counterparty risks thus determined are allocated to the individual financial instruments by applying the relative fair value method on a net basis.

IAS 39 sets requirements for the designation and documentation of hedging relationships, the hedging strategy, as well as ongoing retrospective and prospective measurement of effectiveness in order to qualify for hedge accounting. The Company does not exclude any component of derivative gains and losses from the measurement of hedge effectiveness. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the designated hedging instrument is 80 to 125 percent effective at offsetting the change in fair value due to the hedged risk of the hedged item or transaction.

For qualifying fair value hedges, the change in the fair value of the derivative and the change in the fair value of the hedged item that is due to the hedged risk(s) are recognized in income. If a derivative instrument qualifies as a cash flow hedge under IAS 39, the effective portion of the hedging instrument's change in fair value is recognized in equity (as a component of other comprehensive income) and reclassified into income in the period or periods during which the cash flows of the transaction being hedged affect income. The hedging result is reclassified into income immediately if it becomes probable that the hedged underlying transaction will no longer occur. For hedging instruments used to establish cash flow hedges, the change in fair value of the ineffective portion is recognized immediately in the income statement to the extent required. To hedge the foreign currency risk arising from the Company's net investment in foreign operations, derivative as well as non-derivative financial instruments are used. Gains or losses due to changes in fair value and from foreign currency translation are recognized separately within equity, as a component of other comprehensive income, under currency translation adjustments.

Changes in fair value of derivative instruments that must be recognized in income are presented as other operating income or expenses. Gains and losses from interest-rate derivatives are netted for each contract and included in interest income. Gains and losses from derivative financial instruments are shown net as either revenues or cost of materials, provided they meet the corresponding conditions for such accounting. Certain realized amounts are, if related to the sale of products or services, also included in sales or cost of materials.

Unrealized gains and losses resulting from the initial measurement of derivative financial instruments at the inception of the contract are not recognized in income. They are instead deferred and recognized in income systematically over the term of the derivative. An exception to the accrual principle applies if unrealized gains and losses from the initial measurement are verified by quoted market prices, observable prices of other current market transactions or other observable data supporting the valuation technique. In this case the gains and losses are recognized in income.

Contracts that are entered into for purposes of receiving or delivering non-financial items in accordance with E.ON's anticipated procurement, sale or use requirements, and held as such, can be classified as own-use contracts. They are not accounted for as derivative financial instruments at fair value in accordance with IAS 39, but as open transactions subject to the rules of IAS 37.

IFRS 7, "Financial Instruments: Disclosures," ("IFRS 7") and IFRS 13 both require comprehensive quantitative and qualitative disclosures about the extent of risks arising from financial instruments. Additional information on financial instruments is provided in Notes 30 and 31.

Primary and derivative financial instruments are netted on the balance sheet if E.ON has both an unconditional right—even in the event of the counterparty's insolvency—and the intention to settle offsetting positions simultaneously or on a net basis.

Inventories

The Company measures inventories at the lower of acquisition or production cost and net realizable value. The cost of raw materials, finished products and goods purchased for resale is determined based on the average cost method. In addition to production materials and wages, production costs include material and production overheads based on normal capacity. The costs of general administration are not capitalized. Inventory risks resulting from excess and obsolescence are provided for using appropriate valuation allowances, whereby inventories are written down to net realizable value.

Receivables and Other Assets

Receivables and other assets are initially measured at fair value, which generally approximates nominal value. They are subsequently measured at amortized cost, using the effective interest method. Valuation allowances, included in the reported net carrying amount, are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Liquid Funds

Liquid funds include current available-for-sale securities, checks, cash on hand and bank balances. Bank balances and available-for-sale securities with an original maturity of more than three months are recognized under securities and fixed-term deposits. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted.

Restricted cash with a remaining maturity in excess of twelve months is classified as financial receivables and other financial assets.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Individual non-current assets or groups of assets held for sale and any directly attributable liabilities (disposal groups) are reported in these line items if they can be disposed of in their current condition and if there is sufficient probability of their disposal actually taking place. For a group of assets and associated liabilities to be classified as a disposal group, the assets and liabilities in it must be held for sale in a single transaction or as part of a comprehensive plan.

Discontinued operations are components of an entity that are either held for sale or have already been sold and can be clearly distinguished from other corporate operations, both operationally and for financial reporting purposes. Additionally, the component classified as a discontinued operation must represent a major business line or a specific geographic business segment of the Group.

Non-current assets that are held for sale either individually or collectively as part of a disposal group, or that belong to a discontinued operation, are no longer depreciated. They are instead accounted for at the lower of the carrying amount and the fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognized.

The income and losses resulting from the measurement of components held for sale at fair value less any remaining costs to sell, as well as the gains and losses arising from the disposal of discontinued operations, are reported separately on the face of the income statement under income/loss from discontinued operations, net, as is the income from the ordinary operating activities of these divisions. Prior-year income statement figures are adjusted accordingly. The relevant assets and liabilities are reported in a separate line on the balance sheet. The cash flows of discontinued operations are reported separately in the cash flow statement, with prior-year figures adjusted accordingly. However, there is no reclassification of prior-year balance sheet line items attributable to discontinued operations.

Equity Instruments

IFRS defines equity as the residual interest in the Group's assets after deducting all liabilities. Therefore, equity is the net amount of all recognized assets and liabilities.

E.ON has entered into purchase commitments to holders of non-controlling interests in subsidiaries. By means of these agreements, the non-controlling shareholders have the right to require E.ON to purchase their shares on specified conditions. None of the contractual obligations has led to the transfer of substantially all of the risk and rewards to E.ON at the time of entering into the contract. In such a case, IAS 32, "Financial Instruments: Presentation," ("IAS 32") requires that a liability be recognized at the present value of the probable future exercise price. This amount is reclassified from a separate component within non-controlling interests and reported separately as a liability. The reclassification occurs irrespective of the probability of exercise. The accretion of the liability is recognized as interest expense. If a purchase commitment expires unexercised, the liability reverts to non-controlling interests. Any difference between liabilities and non-controlling interests is recognized directly in retained earnings.

Where shareholders of entities own statutory, non-excludable rights of termination (as in the case of German partnerships, for example), such termination rights require the reclassification of non-controlling interests from equity into liabilities under IAS 32. The liability is recognized at the present value of the expected settlement amount irrespective of the probability of termination. Changes in the value of the liability are reported within other operating income. Accretion of the liability and the non-controlling shareholders' share in net income are shown as interest expense.

If an E.ON Group company buys treasury shares of E.ON SE, the value of the consideration paid, including directly attributable additional costs (net after income taxes), is deducted from E.ON SE's equity until the shares are retired, distributed or resold. If such treasury shares are subsequently distributed or sold, the consideration received, net of any directly attributable additional transaction costs and associated income taxes, is added to E.ON SE's equity.

Share-Based Payment

Share-based payment plans issued in the E.ON Group are accounted for in accordance with IFRS 2, "Share-Based Payment" ("IFRS 2"). The E.ON Share Performance Plan introduced in fiscal 2006 involves share-based payment transactions that are settled in cash and measured at fair value as of each balance sheet date. From the sixth tranche forward, the 60-day average of the E.ON share price as of the balance sheet date is used as the fair value. In addition, the calculation of the provision for the sixth tranche takes into account the financial measures ROACE and WACC. The final allocations under the E.ON Share Performance Plan took place in fiscal 2012. Beginning in the 2013 fiscal year, share-based payments have been based on the E.ON Share Matching Plan. Under this plan, the number of allocated rights is governed by the development of the financial measure ROACE. The compensation expense is recognized in the income statement pro rata over the vesting period. The E.ON Share Matching Plan also represents a cash-settled share-based payment.

Provisions for Pensions and Similar Obligations

Measurement of defined benefit obligations in accordance with IAS 19 (revised 2011), "Employee Benefits," ("IAS 19R" or "IAS 19," used synonymously unless explicitly stated otherwise) is based on actuarial computations using the projected unit credit method, with actuarial valuations performed at year-end. The valuation encompasses both pension obligations and pension entitlements that are known on the reporting date and economic trend assumptions such as assumptions on wage and salary growth rates and pension increase rates, among others, that are made in order to reflect realistic expectations, as well as variables specific to reporting dates such as discount rates, for example.

Included in gains and losses from the remeasurements of the net defined benefit liability or asset are actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables. Additionally included is the difference between the actual return on plan assets and the interest income on plan assets included in the net interest result. Remeasurements effects are recognized in full in the period in which they occur and are not reported within the Consolidated Statements of Income, but are instead recognized within the Statements of Recognized Income and Expenses as part of equity.

The employer service cost representing the additional benefits that employees earned under the benefit plan during the fiscal year is reported under personnel costs; the net interest on the net liability or asset from defined benefit pension plans determined based on the discount rate applicable at the start of the fiscal year is reported under financial results.

Past service cost, as well as gains and losses from settlements, are fully recognized in the income statement in the period in which the underlying plan amendment, curtailment or settlement takes place. They are reported under personnel costs.

The amount reported on the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. If a net asset position arises from this calculation, the amount is limited to the present value of available refunds and the reduction in future contributions and to the benefit from prepayments of minimum funding requirements. Such an asset position is recognized as an operating receivable.

Payments for defined contribution pension plans are expensed as incurred and reported under personnel costs. Contributions to state pension plans are treated like payments for defined contribution pension plans to the extent that the obligations under these pension plans generally correspond to those under defined contribution pension plans.

Provisions for Asset Retirement Obligations and Other Miscellaneous Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," ("IAS 37") provisions are recognized when E.ON has a legal or constructive present obligation towards third parties as a result of a past event, it is probable that E.ON will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognized at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the interest rate effect (the difference between present value and repayment amount) resulting from discounting is material; future cost increases that are foreseeable and likely to occur on the balance sheet date must also be included in the measurement. Long-term obligations are generally discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are generally presented as part of financial results. A reimbursement related to the provision that is virtually certain to be collected is capitalized as a separate asset. No offsetting within provisions is permitted. Advance payments remitted are deducted from the provisions.

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognized during the period of their occurrence at their discounted settlement amounts, provided that the obligation can be reliably estimated. The carrying amounts of the respective property, plant and equipment are increased by the same amounts. In subsequent periods, capitalized asset retirement costs are amortized over the expected remaining useful lives of the assets, and the provision is accreted to its present value on an annual basis.

Changes in estimates arise in particular from deviations from original cost estimates, from changes to the maturity or the scope of the relevant obligation, and also as a result of the regular adjustment of the discount rate to current market interest rates. The adjustment of provisions for the decommissioning and restoration of property, plant and equipment for changes to estimates is generally recognized by way of a corresponding adjustment to these assets, with no effect on income. If the property, plant and equipment to be decommissioned have already been fully depreciated, changes to estimates are recognized within the income statement.

The estimates for non-contractual nuclear decommissioning provisions are based on external studies and are continuously updated.

Under Swedish law, E.ON Sverige AB ("E.ON Sverige") is required to pay fees to the Swedish Nuclear Waste Fund. The Swedish Radiation Safety Authority proposes the fees for the disposal of high-level radioactive waste and nuclear power plant decommissioning based on the amount of electricity produced at that particular nuclear power plant. The proposed fees are then submitted to government offices for approval. Upon approval, E.ON Sverige makes the corresponding payments. In accordance with IFRIC 5, "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds," ("IFRIC 5") payments into the Swedish national fund for nuclear waste management are offset by a right of reimbursement of asset retirement obligations, which is recognized as an asset under "Other assets." In accordance with customary procedure in Sweden, the provisions are discounted at the real interest rate.

No provisions are established for contingent asset retirement obligations where the type, scope, timing and associated probabilities can not be determined reliably.

If onerous contracts exist in which the unavoidable costs of meeting a contractual obligation exceed the economic benefits expected to be received under the contract, provisions are established for losses from open transactions. Such provisions are recognized at the lower of the excess obligation upon performance under the contract and any potential penalties or compensation arising in the event of non-performance. Obligations under an open contractual relationship are determined from a customer perspective.

Contingent liabilities are possible obligations toward third parties arising from past events that are not wholly within the control of the entity, or else present obligations toward third parties arising from past events in which an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are generally not recognized on the balance sheet.

Where necessary, provisions for restructuring costs are recognized at the present value of the future outflows of resources. Provisions are recognized once a detailed restructuring plan has been decided on by management and publicly announced or communicated to the employees or their representatives. Only those expenses that are directly attributable to the restructuring measures are used in measuring the amount of the provision. Expenses associated with the future operation are not taken into consideration.

Income Taxes

Under IAS 12, "Income Taxes," ("IAS 12") deferred taxes are recognized on temporary differences arising between the carrying amounts of assets and liabilities on the balance sheet and their tax bases (balance sheet liability method). Deferred tax assets and liabilities are recognized for temporary differences that will result in taxable or deductible amounts when taxable income is calculated for future periods, unless those differences are the result of the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss. Uncertain tax positions are recognized at their most likely value. IAS 12 further requires that deferred tax assets be recognized for unused tax loss carryforwards and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Each of the corporate entities is assessed individually with regard to the probability of a positive tax result in future years. Any existing history of losses is incorporated in this assessment. For those tax assets to which these assumptions do not apply, the value of the deferred tax assets is reduced.

Deferred tax liabilities caused by temporary differences associated with investments in affiliated and associated companies are recognized unless the timing of the reversal of such temporary differences can be controlled within the Group and it is probable that, owing to this control, the differences will in fact not be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be applicable for taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates and tax law is generally recognized in income. Equity is adjusted for deferred taxes that had previously been recognized directly in equity.

Deferred taxes for domestic companies are calculated using a total tax rate of 30 percent (2013: 30 percent). This tax rate includes, in addition to the 15 percent (2013: 15 percent) corporate income tax, the solidarity surcharge of 5.5 percent on the corporate tax (2013: 5.5 percent on the corporate tax), and the average trade tax rate of 14 percent (2013: 14 percent) applicable to the E.ON Group. Foreign subsidiaries use applicable national tax rates.

Note 10 shows the major temporary differences so recorded.

Consolidated Statements of Cash Flows

In accordance with IAS 7, "Cash Flow Statements," ("IAS 7") the Consolidated Statements of Cash Flows are classified by operating, investing and financing activities. Cash flows from discontinued operations are reported separately in the Consolidated Statement of Cash Flows. Interest received and paid, income taxes paid and refunded, as well as dividends received are classified as operating cash flows, whereas dividends paid are classified as financing cash flows. The purchase and sale prices respectively paid (received) in acquisitions and disposals of companies are reported net of any cash and cash equivalents acquired (disposed of) under investing activities if the respective acquisition or disposal results in a gain or loss of control. In the case of acquisitions and disposals that do not, respectively, result in a gain or loss of control, the corresponding cash flows are reported under financing activities. The impact on cash and cash equivalents of valuation changes due to exchange rate fluctuations is disclosed separately.

Segment Information

In accordance with the so-called management approach required by IFRS 8, "Operating Segments," ("IFRS 8") the internal reporting organization used by management for making decisions on operating matters is used to identify the Company's reportable segments. The internal performance measure used as the segment result is earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted to exclude certain extraordinary effects (see Note 33).

Structure of the Consolidated Balance Sheets and Statements of Income

In accordance with IAS 1, "Presentation of Financial Statements," ("IAS 1") the Consolidated Balance Sheets have been prepared using a classified balance sheet structure. Assets that will be realized within twelve months of the reporting date, as well as liabilities that are due to be settled within one year of the reporting date are generally classified as current.

The Consolidated Statements of Income are classified using the nature of expense method, which is also applied for internal purposes.

Capital Structure Management

E.ON uses the debt factor as the measure for the management of its capital structure. The debt factor is defined as the ratio of economic net debt to our EBITDA. Economic net debt supplements net financial position with provisions for pensions and asset retirement obligations.

Based on our EBITDA in 2014 of €8,337 million (2013: €9,191 million) and economic net debt of €33,394 million as of the balance sheet date (2013: €32,218 million), the debt factor is 4.0 (2013: 3.5).

Critical Accounting Estimates and Assumptions; Critical Judgments in the Application of Accounting Policies

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that may influence the application of accounting principles within the Group and affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and subsequent periods if both current and future periods are affected.

Estimates are particularly necessary for the measurement of the value of property, plant and equipment and of intangible assets, especially in connection with purchase price allocations, the recognition and measurement of deferred tax assets, the accounting treatment of provisions for pensions and miscellaneous provisions, for impairment testing in accordance with IAS 36, as well as for the determination of the fair value of certain financial instruments.

The underlying principles used for estimates in each of the relevant topics are outlined in the respective sections.

(2) New Standards and Interpretations

Standards and Interpretations Applicable in 2014

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") have issued the following standards and interpretations that have been adopted by the EU into European law and whose application is mandatory in the reporting period from January 1, 2014, through December 31, 2014:

IFRS 10, "Consolidated Financial Statements"

In May 2011, the IASB published the new standard IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces the existing guidance on control and consolidation contained in IAS 27, "Consolidated and Separate Financial Statements," and in SIC-12, "Consolidation—Special Purpose Entities" ("SIC-12"). IFRS 10 establishes a uniform definition of the term "control," with greater emphasis on the principle of substance over form than in the past. The new standard can thus give rise to an altered scope of consolidation. The standard has been adopted by the EU into European law. IFRS 10 shall in all cases be applied retrospectively for fiscal years beginning on or after January 1, 2014. Because of the initial application of IFRS 10, one company is no longer consolidated.

IFRS 11, "Joint Arrangements"

In May 2011, the IASB published the new standard IFRS 11. It replaces IAS 31, "Interests in Joint Ventures," ("IAS 31") and SIC-13, "Jointly Controlled Entities—Non-Monetary Contributions by Venturers" ("SIC-13"). The standard will in future distinguish between two types of joint arrangements: joint ventures and joint operations. The provisions of IFRS 10 form the basis for determining joint control. If after assessing the particular facts a joint venture is determined to exist, it must be accounted for using the equity method. In the case of a joint operation, however, the attributable shares of assets and liabilities, and of expenses and income, must be assigned directly to the equity holder. The standard has been adopted by the EU into European law. Consequently, application of the new standard is mandatory for fiscal years beginning on or after January 1, 2014. Because of the initial application of IFRS 11, two companies are now accounted for as joint operations.

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 regulates the disclosure requirements for both IFRS 10 and IFRS 11, and was published by the IASB together with these standards on May 12, 2011. The standard requires entities to publish information on the nature of their holdings, the associated risks and the effects on their net assets, financial position and results of operations. This information is required for subsidiaries, joint arrangements, associates and unconsolidated structured units (special-purpose entities). Important discretionary decisions and assumptions, including any changes to them, that were made in determining control according to IFRS 10 and for joint arrangements must also be disclosed. The new standard has been adopted by the EU into European law and its application is mandatory for fiscal years beginning on or after January 1, 2014.

IAS 27, "Separate Financial Statements"

In May 2011, the IASB published a new version of IAS 27. The new version now contains regulations for IFRS separate financial statements only (previously consolidated and separate financial statements). The standard has been adopted by the EU into European law. Consequently, application of the new standard is mandatory for fiscal years beginning on or after January 1, 2014. The new standard will have no impact on E.ON's Consolidated Financial Statements.

IAS 28, "Investments in Associates and Joint Ventures"

In May 2011, the IASB published a new version of IAS 28. The new version now stipulates that in planned partial disposals of interests in associates and joint ventures, the portion to be sold must, if it meets the criteria of IFRS 5, "Non-Current Assets

Held For Sale and Discontinued Operations," ("IFRS 5") be classified as a non-current asset held for sale. The remaining investment shall continue to be accounted for using the equity method. If the sale results in the creation of an associate, that associate will be accounted for using the equity method. Otherwise, the rules of IFRS 9 must be followed. The new IAS 28 incorporates the provisions of SIC-13 and removes currently existing exceptions from the scope of IAS 28. The new version of the standard has been adopted by the EU into European law. Its application shall thus be mandatory for fiscal years beginning on or after January 1, 2014. It will not result in material changes for E.ON affecting its Consolidated Financial Statements.

If IFRS 10 and IFRS 11 were not being applied, and if instead IAS 27 and IAS 28 were still being applied in the versions effective through December 31, 2013, assets and liabilities would be €190 million higher and net income would be €8 million lower as of December 31, 2014.

Amendments to IFRS 10, IFRS 11 and IFRS 12—Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

In June 2012, the IASB published "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)." The amendments clarify the transition guidance contained in IFRS 10, and they also provide additional relief for the first-time adoption of all three standards. Adjusted comparative information need now be provided only for the immediately preceding comparative period. For unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied is removed altogether. The amendments shall be applied for fiscal years beginning on or after January 1, 2014, which coincides with the effective date of IFRS 10, IFRS 11 and IFRS 12. The amendments have been adopted by the EU into European law. There will be no impact on E.ON's Consolidated Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment Entities

In October 2012, the IASB published "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)." The amendments include a definition of an investment entity and remove them from the scope of IFRS 10. Instead of consolidating their investments in subsidiaries, parent investment entities shall now be required to recognize and measure them at fair value through profit or loss in accordance with IFRS 9 or IAS 39. In this context, new disclosure requirements have also arisen in IFRS 12, "Disclosure of Interests in Other Entities" and IAS 27, "Separate Financial Statements." In November 2013, the EU adopted these amendments into European law. The amendments shall be applied for fiscal years beginning on or after January 1, 2014. Earlier application is permitted. They will result in no material changes for E.ON affecting its Consolidated Financial Statements.

Amendments to IAS 32, "Financial Instruments: Presentation," and to IFRS 7, "Financial Instruments: Disclosures"

In December 2011, the IASB published amendments to IAS 32 and IFRS 7. Entities shall in future be required to disclose gross and net amounts from offsetting, as well as amounts for existing rights of set-off that do not meet the accounting criteria for offsetting. In addition, inconsistencies in applying the existing rules for offsetting financial assets and financial liabilities have been eliminated. The amendments mentioned have different first-time application dates. The amendments to IAS 32 shall be applied for fiscal years beginning on or after January 1, 2014. The amendments have been adopted by the EU into European law. The initial application of the amendments to IAS 32 resulted in a balance sheet expansion of about €1.4 billion as an effect of the switch to gross presentation.

The effects of the initial application of IFRS 10, IFRS 11 and IAS 32 on the Consolidated Balance Sheet and on the Consolidated Statement of Income are shown in the following tables:

Newly Adopted Standards—Consolidated Balance Sheet as of January 1, 2013

€ in millions	Before initial application of new standards	IFRS 10 adjustment	IFRS 11 adjustment	After initial application of IFRS 10, IFRS 11	IAS 32 adjustment	After initial application of new standards
Total assets	**140,426**	**-344**	**746**	**140,828**	**1,457**	**142,285**
Companies accounted for under the equity method	*4,067*	*155*	*-83*	*4,139*	–	*4,139*
Non-current liabilities	**65,027**	**-332**	**1,426**	**66,121**	**975**	**67,096**
Financial liabilities	*21,937*	*-318*	*147*	*21,766*	–	*21,766*
Miscellaneous provisions	*23,656*	–	*1,279*	*24,935*	–	*24,935*
Current liabilities	**36,579**	**-174**	**-822**	**35,583**	**482**	**36,065**
Financial liabilities	*4,007*	*-6*	*-381*	*3,620*	–	*3,620*
Trade payables and other operating liabilities	*25,935*	*-164*	*-418*	*25,353*	*482*	*25,835*
Equity	**38,820**	**162**	**142**	**39,124**	**–**	**39,124**

Newly Adopted Standards—Consolidated Balance Sheet as of December 31, 2013

€ in millions	Before initial application of new standards	IFRS 10 adjustment	IFRS 11 adjustment	After initial application of IFRS 10, IFRS 11	IAS 32 adjustment	After initial application of new standards
Total assets	**130,725**	**-323**	**710**	**131,112**	**1,218**	**132,330**
Companies accounted for under the equity method	*5,624*	*114*	*-86*	*5,652*	–	*5,652*
Non-current liabilities	**61,054**	**-321**	**1,397**	**62,130**	**1,049**	**63,179**
Financial liabilities	*18,237*	*-318*	*132*	*18,051*	–	*18,051*
Miscellaneous provisions	*23,470*	–	*1,265*	*24,735*	–	*24,735*
Current liabilities	**33,286**	**-110**	**-832**	**32,344**	**169**	**32,513**
Financial liabilities	*5,023*	–	*-350*	*4,673*	–	*4,673*
Trade payables and other operating liabilities	*21,866*	*-103*	*-475*	*21,288*	*169*	*21,457*
Equity	**36,385**	**108**	**145**	**36,638**	**–**	**36,638**

IFRS 10, IFRS 11—Consolidated Income Statement

	2013[1]			
€ in millions	Before IFRS 10, IFRS 11 adjustments	IFRS 10 adjustment	IFRS 11 adjustment	After IFRS 10, IFRS 11 adjustments
Sales	**124,214**	**-17**	**5**	**124,202**
Income from continuing operations	**2,503**	**-54**	**3**	**2,452**
Net income	**2,510**	**-54**	**3**	**2,459**

[1]The figures presented here do not include the reclassifications to discontinued operations (see also Note 4).

Amendments to IAS 36—Recoverable Amount Disclosures

In May 2013, the IASB published "Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)." IAS 36 was amended to clarify that disclosures are required only for impaired assets or for cash-generating units. The new standard has been adopted by the EU into European law and its application is mandatory for fiscal years beginning on or after January 1, 2014. E.ON had already elected to apply the amendments early in the 2013 fiscal year.

Amendments to IAS 39—Novation of Derivatives and Continuation of Hedge Accounting

In June 2013, the IASB published narrow-scope amendments to IAS 39, "Financial Instruments: Recognition and Measurement." The amendments provide that the requirement to discontinue hedge accounting shall not apply to the novation of a hedging instrument to a central counterparty if such novation is required by laws or regulations and if specific conditions are met. A hedging relationship is not discontinued if the novation is required by a new legal or regulatory requirement or by a newly enacted law. In addition, the novation must result in the original counterparty being replaced by a central counterparty or by an entity acting as a counterparty ("clearing counterparty"). The only contractual changes permitted are those necessary to effect counterparty replacement. These include changes in the contractual collateral requirements, changes in rights to offset receivables and payables and changes in the charges levied. The amendments have been adopted by the EU into European law and their application is mandatory for fiscal years beginning on or after January 1, 2014. The amendments have no impact on E.ON's Consolidated Financial Statements.

Changes in Accounting Policies

In line with developments in accounting practice, E.ON has adjusted the presentation of cash contributions to plan assets. Such cash deposits are now presented as investing cash flow. Accordingly, outflows of €97 million were reclassified from the previous year's operating cash flow to investing cash flow. The effects relate especially to the United Kingdom regional unit. This accounting change leads to a consistent presentation of the funding of plan assets with regard to cash funding and other forms of funding.

An altered construal of IFRIC 12 led to the gross presentation of certain specific issues. To improve comparability, the 2013 figures for sales and cost of materials were both adjusted by €73 million.

Standards and Interpretations Not Yet Applicable in 2014

The IASB and the IFRS IC have issued the following additional standards and interpretations. These standards and interpretations are not being applied by E.ON in the 2014 fiscal year because adoption by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory.

IFRS 9, "Financial Instruments"

In November 2009 and October 2010, respectively, the IASB published phases of the new standard IFRS 9, "Financial Instruments" ("IFRS 9"). Under IFRS 9, all financial instruments currently within the scope of IAS 39 will henceforth generally be subdivided into only two classifications: financial instruments measured at amortized cost and financial instruments measured at fair value. As part of the revisions of July 24, 2014, an additional measurement category has been introduced for debt instruments. These may in future be measured at fair value through other comprehensive income as long as the prerequisites for the corresponding business model and the contractual cash flows are met. The application of IFRS 9 is to be mandatory for fiscal years beginning on or after January 1, 2018. Earlier application is permitted. In that context, the IASB also issued a discussion paper on further rules for macro hedge accounting, separately from IFRS 9. The standard has not yet been adopted by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

IFRS 14, "Regulatory Deferral Accounts"

In January 2014, the IASB published the new standard IFRS 14, "Regulatory Deferral Accounts" ("IFRS 14"). IFRS 14 gives an entity the option to apply this standard in its first IFRS financial statements if it conducts rate-regulated activities and recognizes regulatory deferrals under the accounting policies it had previously applied. The intention is to allow entities that are subject to rate regulation to avoid having to make changes to accounting policies relating to regulatory deferrals. IFRS 14 shall be applied for fiscal years beginning on or after January 1, 2016. The standard has not yet been adopted by the EU into European law. The introduction of the standard has no impact on the E.ON Consolidated Financial Statements as they are already prepared in accordance with IFRS.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB published the new standard IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 will replace IAS 11, "Construction Contracts," IAS 18, "Revenue," IFRIC 13, "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue—Barter Transactions Involving Advertising Services." The standard defines when revenues should be recognized and in what amount. According to IFRS 15, revenues should be recognized in the amount that reflects the consideration expected for the performance obligations being undertaken. The standard shall be applied for fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The standard has not yet been adopted by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2010-2012 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2013, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The EU has adopted these amendments into European law. Consequently, they shall be applied for fiscal years beginning on or after February 1, 2015. They will result in no material changes for E.ON affecting its Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2011-2013 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2013, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. The EU has adopted these amendments into European law. Consequently, they shall be applied for fiscal years beginning on or after January 1, 2015. They will result in no material changes for E.ON affecting its Consolidated Financial Statements.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (2012-2014 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. In September 2014, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They will result in no material changes for E.ON affecting its Consolidated Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 28—Investment Entities: Applying the Consolidation Exception

In December 2014, the IASB published amendments to IFRS 10, IFRS 12 and IAS 28. The amendments are designed to clarify that entities that are both investment entities and parent entities are exempt from presenting consolidated financial statements even if they are themselves subsidiaries. They further clarify that subsidiaries providing investment-related services that are themselves investment entities shall be measured at fair value. For non-investment entities, they clarify that such entities should account for an investment entity using the equity method. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. E.ON anticipates that the amendments will have no impact on its Consolidated Financial Statements.

Amendments to IAS 1, "Presentation of Financial Statements"

In December 2014, the IASB published amendments to IAS 1. They are primarily intended to clarify disclosures of material information, and of the aggregation and disaggregation of line items on the balance sheet and in the statement of comprehensive income. The amendments further provide that an entity's share of the other comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. E.ON anticipates that the amendments will have no impact on its Consolidated Financial Statements.

Amendments to IFRS 10 and IAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB published amendments to IFRS 10 and IAS 28. The amendments provide that unrealized gains from transactions between an investor and an associated company or a joint venture should be recognized in full by the investor if the transaction involves a business. In transactions where only assets are being sold, the recognition of gains shall be partial. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. E.ON anticipates that the amendments will have no impact on its Consolidated Financial Statements.

Amendments to IFRS 11—Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB published amendments to IFRS 11. The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. Accordingly, the relevant information specified in those standards is to be disclosed. These amendments necessitated consequential amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," to have the exemption extended to business combinations. Accordingly, it now also includes past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. E.ON anticipates that the amendments will have no impact on its Consolidated Financial Statements.

Amendments to IAS 16 and IAS 38—Clarification of Acceptable Methods of Depreciation and Amortization

In May 2014, the IASB published amendments to IAS 16 and IAS 38. The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment, and to amortize intangible assets. In particular, they clarify that the use of a revenue-based method arising from an activity that includes the use of an asset does not provide an appropriate representation of its consumption. Within the context of IAS 38, however, this presumption can be rebutted in certain limited circumstances. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. E.ON anticipates that the amendments will have no impact on its Consolidated Financial Statements.

Amendments to IAS 16 and IAS 41—Agriculture: Bearer Plants

In June 2014, the IASB published amendments to IAS 16 and IAS 41. They provide that bearer plants shall be accounted for in the same way as property, plant and equipment, in accordance with IAS 16. IAS 41 shall continue to apply for the produce they bear. As a result of the amendments, bearer plants will in future no longer be measured at fair value less estimated costs to sell, but rather in accordance with IAS 16, using either a cost model or a revaluation model. The amendments shall be applied for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. The amendments will have no impact on E.ON's Consolidated Financial Statements.

Amendments to IAS 19—Defined Benefit Plans: Employee Contributions

In November 2013, the IASB published amendments to IAS 19. This pronouncement amends IAS 19 in respect of the accounting for defined benefit plans involving contributions from employees (or third parties). If the contributions made by employees (or third parties) to a defined benefit plan are independent of the number of years of service, their nominal amount can still be deducted from the service cost. But if employee contributions vary according to the number of years of service, the benefits must be computed and attributed by applying the projected unit credit method. The amendments shall be applied for fiscal years beginning on or after July 1, 2014. Earlier application is permitted. They have been adopted by the EU into European law. Consequently, application of the new amendments will be mandatory for fiscal years beginning on or after February 1, 2015. E.ON anticipates that the amendments will have no material impact on its Consolidated Financial Statements.

Amendments to IAS 27— Equity Method in Separate Financial Statements

In August 2014, the IASB published amendments to IAS 27, "Separate Financial Statements." The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments shall be applied retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. They have not yet been adopted by the EU into European law. The amendments will have no impact on E.ON's Consolidated Financial Statements.

IFRIC 21, "Levies"

In May 2013, the IASB published IFRIC 21, "Levies," ("IFRIC 21") interpreting IAS 37, which sets out criteria for the recognition of a liability for provisions, contingent liabilities and contingent assets. IFRIC 21 addresses when and how a levy that is not within the scope of another IFRS should be recognized as a liability. The amendments shall be applied for fiscal years beginning on or after January 1, 2014. They have been adopted by the EU into European law. Consequently, application of the new amendments will be mandatory for fiscal years beginning on or after June 17, 2014. E.ON anticipates no material impact on its Consolidated Financial Statements.

(3) Scope of Consolidation

The number of consolidated companies changed as follows:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of January 1, 2013	**153**	**297**	**450**
Additions	4	14	18
Disposals/Mergers	43	83	126
Consolidated companies as of December 31, 2013	**114**	**228**	**342**
Additions	1	4	5
Disposals/Mergers	8	22	30
Consolidated companies as of December 31, 2014[1]	**107**	**210**	**317**

[1]This figures also includes the Spanish and Italian entities reported as discontinued operations.

In 2014, a total of 19 domestic and 35 foreign associated companies were accounted for under the equity method (2013: 22 domestic and 37 foreign). One domestic and one foreign company, each reported as a joint operation, were presented pro rata (2013: 1 domestic and 1 foreign). Reflected in the figures presented here are the retrospective change to the scope of consolidation and the retrospective joint-operation accounting resulting from the initial application of IFRS 10 and IFRS 11. Significant acquisitions, disposals and discontinued operations are discussed in Note 4.

(4) Acquisitions, Disposals and Discontinued Operations

Discontinued Operations and Assets Held for Sale in 2014

E.ON in Spain

At the end of November 2014, E.ON entered into contracts with a subsidiary of Macquarie European Infrastructure Fund IV LP (the "Macquarie Fund"), London, United Kingdom, on the sale of its Spanish and Portuguese activities.

The activities sold include all of E.ON's Spanish and Portuguese businesses, including 650,000 electricity and gas customers and electricity distribution networks extending over a total distance of 32,000 kilometers. In addition, the activities include a total generation capacity of 4 GW from coal, gas, and renewable sources in Spain and Portugal. While the Spain regional unit is reported as a discontinued operation, the Spanish generation businesses held in the Generation and Renewables segments have been classified as disposal groups as of November 31, 2014.

The agreed transaction volume for the equity and for the assumption of liabilities and working capital positions was €2.4 billion. The respective classification as discontinued operations and disposal groups required that the Spanish and Portuguese businesses be measured at the agreed purchase price. This remeasurement produced a goodwill impairment of approximately €0.3 billion.

The following tables show selected financial information, including the goodwill impairment attributable to discontinued operations, as well as major balance sheet data of the Spain regional unit now being reported as discontinued operations:

Selected Financial Information—E.ON Spain (Summary)

€ in millions	2014	2013
Sales	1,085	1,078
Other income/expenses, net	-1,292	-1,029
Income/Loss from continuing operations before income taxes	**-207**	**49**
Income taxes	7	1
Income/Loss from discontinued operations, net	**-200**	**50**

Major Balance Sheet Line Items—E.ON Spain (Summary)

€ in millions	December 31, 2014
Intangible assets	1,003
Other assets	397
Total assets	**1,400**
Total liabilities	862

As of December 31, 2014, the major asset items of the activities held as a disposal group were property, plant and equipment (€1.1 billion), intangible assets and goodwill (€0.4 billion), financial assets (€0.1 billion) and current assets (€0.4 billion). The liability items consisted primarily of provisions and liabilities of approximately €0.2 billion each. Approximately €0.1 billion in OCI relating primarily to actuarial gains and losses is attributable to the activities in Spain. The contracts are expected to be finalized in the first quarter of 2015.

E.ON in Italy

As of December 31, 2014, against the backdrop of specifying its divestment intentions, E.ON reported the Italy regional unit as a discontinued operation, and the Italian businesses held in its Generation and Renewables segments—except for the wind-power activities—as disposal groups.

The non-controlling interest in Gestione Energetica Impianti S.p.A. ("GEI"), Crema, Italy, was already sold in December 2014. Also agreed in December 2014 was the disposal of the Italian coal and gas generation assets to the Czech energy company Energetický a Průmyslový Holding ("EPH"), Prague, Czech Republic. A further contract on the sale of the solar activities was signed with F2i SGR S.p.A., Milan, Italy, in February 2015.

As the disposal process took greater shape, it became necessary to reexamine the measurement of the Italian businesses on the basis of the expected proceeds on disposal. This remeasurement resulted in an impairment of approximately €1.3 billion, of which roughly €0.1 billion was charged to goodwill and roughly €1.2 billion to other non-current assets.

The following tables show selected financial information, including the impairment of non-current assets attributable to discontinued operations, as well as major balance sheet data of the Italy regional unit now being reported as discontinued operations:

Selected Financial Information—E.ON Italy (Summary)		
€ in millions	2014	2013
Sales	1,537	1,745
Other income/expenses, net	-1,556	-1,714
Income/Loss from continuing operations before income taxes	**-19**	**31**
Income taxes	6	10
Income/Loss from discontinued operations, net	**-13**	**41**

Major Balance Sheet Line Items—E.ON Italy (Summary)	
€ in millions	December 31, 2014
Intangible assets	3
Other assets	550
Total assets	**553**
Total liabilities	209

As of December 31, 2014, the major asset and liability items of the activities held as a disposal group at the Generation global unit were property, plant and equipment (€0.3 billion), intangible assets (€0.1 billion) and current assets (€0.2 billion), as well as provisions (€0.4 billion) and liabilities (€0.2 billion).

The major balance sheet items of the activities held as a disposal group in the Renewables segment were property, plant and equipment (€0.6 billion) and intangible assets (€0.5 billion). There were no material liability items.

The disposal of the Italian coal and gas generation assets is expected to be finalized in the second quarter of 2015.

Disposal Groups and Assets Held for Sale in 2014

Magic Valley 1 and Wildcat 1 Wind Farms

As part of its "build and sell" strategy, E.ON agreed to sell an 80-percent interest in a portfolio of two wind farms in the United Sates, Magic Valley 1 and Wildcat 1, to Enbridge Inc., Toronto, Canada. The net purchase price after deduction of liabilities was approximately €0.3 billion. The carrying amount of the property, plant and equipment is approximately €0.5 billion.

E.ON retains a 20-percent interest and remains the operator of the wind farms. The transaction, which closed at the end of December 2014, produced a €0.1 billion gain on disposal.

Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH

In late October 2014, E.ON signed a contract with First State European Diversified Infrastructure Fund ("EDIF"), an investment fund managed by First State Investments, Luxembourg, for the sale of its 50-percent stake in Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH ("EVG"), Erfurt, Germany.

The equity investment was held in the Germany regional unit with a carrying amount of approximately €0.1 billion. The transaction, which also closed in the fourth quarter of 2014, resulted in a gain on disposal of approximately €0.1 billion.

E.ON in Lithuania

In May 2014, E.ON signed contracts for and finalized the sale of the activities in Lithuania. The shareholdings had a total carrying amount of approximately €0.1 billion and were reported in the Global Commodities global unit. The transaction resulted in a minimal gain on disposal.

Swedish Thermal Power Plants

In the first quarter of 2014, E.ON signed contracts with Norway's Solør Bioenergi on the sale of various micro thermal power plants at a purchase price of €0.1 billion. The plants had a total carrying amount of approximately €0.1 billion and were reported in the Sweden regional unit. The transaction closed in the second quarter of 2014 with a minimal gain on disposal.

City of Prague Municipal Utility

In December 2013, E.ON signed contracts with the City of Prague on the disposal of a majority stake in Pražská plynárenská. The purchase price is €0.2 billion. Held in the Czechia regional unit, the major items on this entity's balance sheet as of December 31, 2013, were property, plant and equipment (€0.2 billion), inventories and other assets (€0.2 billion) and liabilities (€0.2 billion). The transaction closed in March 2014 with a gain of approximately €0.1 billion on disposal.

Rødsand Offshore Wind Farm
In November 2013, E.ON agreed to sell an 80-percent stake in its 207-megawatt Rødsand 2 offshore wind farm to the Danish utility SEAS-NVE. The transaction values 100 percent of the wind farm at DKK 3.5 billion (€0.5 billion). At closing, the wind farm company assumed a loan of DKK 2.1 billion (€0.3 billion). SEAS-NVE will purchase 80 percent of the equity for DKK 1.1 billion (€0.2 billion). In total, E.ON will receive DKK 3.2 billion (€0.4 billion) from this transaction. The entity was reported in the Renewables global unit as of December 31, 2013, and its balance sheet consisted primarily of property, plant and equipment (€0.4 billion), other assets (€0.3 billion) and liabilities (€0.4 billion). The transaction closed on January 10, 2014, with a gain on disposal of approximately €0.1 billion.

Disposal Groups and Assets Held for Sale in 2013

Equity Investment in NAFTA
In December 2013, E.ON signed a contract on the disposal of its minority stake in NAFTA a.s., Bratislava, Slovakia. The ownership interest was reported within the Global Commodities global unit with a carrying amount of approximately €0.1 billion. The transaction closed in the fourth quarter of 2013 with minimal gain on disposal.

Ferngas Nordbayern
In December 2013, E.ON signed a contract for and finalized the sale of its 100-percent stake in Ferngas Nordbayern GmbH to the investment company First State, Luxembourg. As part of the transaction, E.ON repurchased certain shareholdings partly held by Ferngas Nordbayern GmbH. The major balance sheet items of this unit, which was held by the Germany regional unit, were property, plant and equipment (€0.1 billion) and receivables (€0.1 billion), as well as provisions and liabilities of €0.1 billion each. The disposal resulted in a minimal gain.

E.ON Mitte
In December 2013, E.ON signed a contract for and finalized the sale of its 73.3-percent stake in E.ON Mitte AG to a consortium of municipal co-owners. As part of the transaction, E.ON repurchased E.ON Mitte Vertrieb GmbH and certain other shareholdings held by E.ON Mitte AG. The major balance sheet items of this unit, which was held by the Germany regional unit, were property, plant and equipment (€0.6 billion) and receivables (€0.1 billion), as well as provisions and liabilities of €0.3 billion each. The disposal resulted in a minimal gain.

E.ON in Finland
In June 2013, E.ON signed a contract for the sale of its Finnish electricity activities. The purchase price was €0.1 billion. The transaction closed in the third quarter of 2013. The activities were reported as a disposal group since the second quarter of 2013. Held by the Sweden regional unit, the disposal group's major asset items were property, plant and equipment (€0.1 billion) and financial assets (€0.1 billion). The liabilities side of the balance sheet consisted primarily of liabilities (€0.1 billion).

E.ON Westfalen Weser
At the end of June 2013, E.ON signed a contract for and finalized the sale of its 62.8-percent stake in E.ON Westfalen Weser to a consortium of municipal co-owners with cash proceeds of approximately €0.2 billion. As part of the transaction, E.ON bought back the retail subsidiary E.ON Westfalen Weser Vertrieb GmbH and certain other shareholdings held by E.ON Westfalen Weser AG. The major balance sheet items of this unit, which was held by the Germany regional unit, were property, plant and equipment (€0.8 billion) and receivables (€0.3 billion), as well as provisions (€0.3 billion) and liabilities (€0.3 billion). The disposal resulted in a loss of about €0.2 billion.

E.ON Földgáz Trade/E.ON Földgáz Storage
In March 2013, E.ON signed a contract with the Hungarian energy company MVM Hungarian Electricity Ltd. for the sale of its 100-percent stakes in E.ON Földgáz Trade and E.ON Földgáz Storage. The purchase price for both companies, including the assumption of approximately €0.5 billion in debt, is approximately €0.9 billion. Impairment charges totaling €0.2 billion were recognized on certain assets within the units, and on the attributable goodwill, in the first quarter of 2013. The transaction closed in the third quarter of 2013 with a loss on disposal of €0.1 billion, including realization of foreign currency translation effects (€0.1 billion). Held by the Global Commodities global unit, the major asset items of the two units were intangible assets and property, plant and equipment (€0.7 billion), as well as current assets (€0.5 billion). The liabilities side of the balance sheet consisted primarily of liabilities (€0.2 billion) and provisions (€0.1 billion).

E.ON Thüringer Energie
At the end of December 2012, E.ON signed a contract for the sale of a 43-percent interest in E.ON Thüringer Energie to a municipal consortium, Kommunaler Energiezweckverband Thüringen ("KET"). The transaction involved a volume of approximately €0.9 billion, which includes the assumption by KET of shareholder loans totaling approximately €0.4 billion. This transaction closed in March 2013. The sale of the 10-percent stake in E.ON Thüringer Energie still held by E.ON after the initial transaction became final in the second quarter of 2013. In total, the disposal resulted in a €0.5 billion gain. The equity

investment was held by the Germany regional unit and had been reported as a disposal group since the end of 2012. The major carrying amounts related to property, plant and equipment (€1.1 billion) and financial assets (€0.2 billion), while provisions and liabilities amounted to €0.2 billion and €0.4 billion, respectively.

Slovenský Plynárenský Priemysel (SPP)

In January 2013, E.ON signed a contract with the Czech energy company Energetický a Průmyslový Holding, Prague, Czech Republic, for the sale of its interest in the Slovakian energy company Slovenský Plynárenský Priemysel a.s. ("SPP"), which is held indirectly in E.ON's Global Commodities global unit. The purchase price for the 24.5-percent indirect holding is €1.2 billion, including final purchase price adjustments. The stake with a carrying amount of €1.2 billion had to be reported as an asset held for sale as of December 31, 2012, because commercial agreement on the sale had been substantially reached by the end of 2012. The attributable goodwill of approximately €0.2 billion was written down to zero in 2012. A total of €0.5 billion in impairment charges was recognized on the equity investment in the 2012 fiscal year. When the transaction closed in January 2013, amounts in other comprehensive income from foreign exchange translation differences were realized as a gain of €0.3 billion.

E.ON Energy from Waste

In December 2012, E.ON signed agreements to form a joint venture with EQT Infrastructure II, an infrastructure fund belonging to EQT, a Sweden-based private equity group. The joint venture, in which EQT Infrastructure II owns 51 percent and E.ON 49 percent, acquired 100 percent of the equity of E.ON Energy from Waste, Helmstedt, Germany. The Energy from Waste group was held by the Germany regional unit, and had been reported as a disposal group since the end of 2012. With a carrying amount of approximately €0.9 billion, the major asset item was property, plant and equipment. Additional significant balance sheet items included current assets (€0.3 billion), provisions (€0.2 billion), liabilities (€0.2 billion) and deferred taxes (€0.1 billion). The transaction closed in March 2013 with a minimal gain on disposal.

E.ON Wasserkraft

At the beginning of December 2012, E.ON and Austria's Verbund AG, Vienna, Austria, signed contracts on acquisitions and disposals of equity investments. Under the agreement, E.ON will acquire Verbund's share of Enerjisa Enerji A.Ş. ("Enerjisa"), Istanbul, Turkey, giving it stakes in Enerjisa's power generation capacity and projects and in its power distribution business in Turkey. The agreement also involved financing commitments for investment projects amounting to approximately €0.5 billion. In return, E.ON will transfer to Verbund its stakes in certain hydroelectric power plants in Bavaria. Verbund will become the sole owner of this hydro capacity, located predominantly on the Inn River in Bavaria, in which it is already a joint owner. Verbund will acquire primarily E.ON's stakes in Österreichisch-Bayerische Wasserkraft AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH, as well as the Nussdorf, Ering-Frauenstein and Egglfing-Obernberg run-of-river hydroelectric plants on the Inn, along with subscription rights in the Zemm-Ziller Hydroelectric Group. Altogether, these stakes and power plants represent 351 MW of attributable generating capacity. Relevant balance sheet line items of the disposal group, which is held in the Renewables global unit, are property, plant and equipment and financial assets (€0.1 billion), as well as other assets (€0.2 billion). The disposal group has been reported as such since the end of 2012. The transaction closed at the end of April 2013 with a gain of approximately €1.0 billion on disposal.

Equity Investment in Jihomoravská Plynárenská

E.ON has sold its minority stake in Jihomoravská plynárenská, a.s. ("JMP"), Brno, Czech Republic. The purchase price is approximately €0.2 billion. The ownership interest was reported within the Czechia regional unit as an asset held for sale as of December 31, 2012, with a carrying amount of approximately €0.2 billion. The transaction closed in January 2013 with a minor book gain on the disposal.

London Array Wind Farm

The operators of the U.K. wind farm London Array are required by regulatory order to cede components of the wind farm's grid link to the U.K. regulator. 30 percent of this wind farm is attributable to E.ON. The carrying amount of the property, plant and equipment to be transferred is approximately €0.1 billion. The transfer took place in the third quarter of 2013 with a minor gain on disposal.

Wind Farm Disposals

E.ON signed contracts for the sale of a 50-percent stake in each of three wind farms in North America in October 2012 for a total of $0.5 billion in proceeds. The wind farms were held by the Renewables global unit. The transaction closed in March 2013 with a small gain on disposal. The wind farms were reported as disposal groups since the fourth quarter of 2012. Material balance sheet line items related to property, plant and equipment (€0.4 billion); there were no significant items on the liabilities side.

(5) Revenues

Revenues are generally recognized upon delivery of goods to purchasers or customers, or upon completion of services rendered. Delivery is considered to have occurred when the risks and rewards associated with ownership have been transferred to the buyer, compensation has been contractually established and collection of the resulting receivable is probable.

Revenues are generated primarily from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets. Additional revenue is earned from the distribution of gas and electricity and from deliveries of steam, heat and water.

Revenues from the sale of electricity and gas to industrial and commercial customers, to retail customers and to wholesale markets are recognized when earned on the basis of a contractual arrangement with the customer or purchaser; they reflect the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and period-end.

At €112 billion, revenues in 2014 were 7 percent lower than in the previous year. The decrease is primarily the result of divestitures in the Germany regional unit.

The classification of revenues by segment is presented in Note 33.

(6) Own Work Capitalized

Own work capitalized amounted to €345 million in 2014 (2013: €364 million) and resulted primarily from engineering services in networks and from new construction projects.

(7) Other Operating Income and Expenses

The table below provides details of other operating income for the periods indicated:

Other Operating Income

€ in millions	2014	2013
Income from exchange rate differences	2,437	3,765
Gain on derivative financial instruments	6,210	2,355
Gain on disposal of equity investments and securities	867	2,422
Write-ups of non-current assets	54	482
Gain on disposal of property, plant and equipment	111	127
Miscellaneous	1,287	1,530
Total	**10,966**	**10,681**

In general, E.ON employs derivatives to hedge commodity risks as well as currency and interest risks.

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €1,746 million (2013: €2,531 million) and of effects from foreign currency translation on the balance sheet date in the amount of €331 million (2013: €516 million).

Gains and losses on derivative financial instruments relate to gains from fair value measurement and to realized gains from derivatives under IAS 39, with the exception of income effects from interest rate derivatives. In this respect there was a significant impact from commodity derivatives in particular, which in 2014 resulted predominantly from the marking to market of electricity, emissions and gas derivatives. In 2013, there were effects resulting especially from emissions, electricity, gas and coal derivatives.

The gain on the disposal of equity investments and securities consisted primarily of the following: €144 million on the divestiture of Erdgasversorgung Thüringen, €128 million on the disposal of Rødsand 2, €69 million on the sale of the stake in Gasum Oy and €90 million on the sale of the City of Prague Municipal Utility. In 2013, there were gains of €996 million on the disposal of the hydroelectric power plants in Bavaria to Austria's Verbund AG and €521 million on the sale of E.ON Thüringer Energie AG. Gains were realized on the sale of securities in the amount of €203 million (2013: €186 million).

In addition to reversals of provisions, miscellaneous other operating income in 2014 included the proceeds of passing on of charges for personnel and services, as well as government grants.

The following table provides details of other operating expenses for the periods indicated:

Other Operating Expenses

€ in millions	2014	2013
Loss from exchange rate differences	2,937	3,755
Loss on derivative financial instruments	5,305	1,620
Taxes other than income taxes	351	364
Loss on disposal of equity investments and securities	30	449
Miscellaneous	3,211	3,714
Total	**11,834**	**9,902**

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €1,620 million (2013: €2,240 million) and of effects from foreign currency translation on the balance sheet date in the amount of €741 million (2013: €218 million).

The loss on disposal of equity investments and securities amounted to €30 million. In 2013, the loss totaled €449 million and was in large part attributable to the disposal of E.ON Westfalen Weser AG, which produced a loss of €230 million.

Miscellaneous other operating expenses included concession payments in the amount of €243 million (2013: €473 million), expenses for external consulting, audit and non-audit services in the amount of €222 million (2013: €240 million), advertising and marketing expenses in the amount of €139 million (2013: €169 million), and write-downs of trade receivables in the amount of €313 million (2013: €411 million). Additionally reported in this item are services rendered by third parties, IT expenditures and insurance premiums.

Other operating expenses from exploration activity totaled €49 million (2013: €71 million).

(8) Cost of Materials

The principal components of expenses for raw materials and supplies and for purchased goods are the purchase of gas and electricity and of fuels for electricity generation. Network usage charges are also included in this line item. Expenses for purchased services consist primarily of maintenance costs. The cost of materials decreased by €8 billion to €98 billion (2013: €106 billion). The primary causes were a reduced expense for gas purchases and divestitures in the Germany regional unit.

Cost of Materials

€ in millions	2014	2013
Expenses for raw materials and supplies and for purchased goods	95,575	102,603
Expenses for purchased services	2,921	3,116
Total	**98,496**	**105,719**

(9) Financial Results

The following table provides details of financial results for the periods indicated:

Financial Results		
€ in millions	2014	2013
Income from companies in which equity investments are held	107	88
Impairment charges/reversals on other financial assets	-91	-88
Income from equity investments	**16**	**0**
Income from securities, interest and similar income[1]	882	580
Available for sale	*300*	*214*
Loans and receivables	*170*	*179*
Held for trading	*41*	*32*
Other interest income	*371*	*155*
Interest and similar expenses[1]	-2,692	-2,572
Amortized cost	*-1,070*	*-1,168*
Held for trading	*-46*	*-30*
Other interest expenses	*-1,576*	*-1,374*
Net interest income	**-1,810**	**-1,992**
Financial results	**-1,794**	**-1,992**

[1]The measurement categories are described in detail in Note 1.

The improvement in financial results is primarily attributable to interest effects from the reversal of provisions.

Other interest income consists predominantly of income from lease receivables (finance leases) and income from the reversal of provisions for previous years. Other interest expenses include the accretion of provisions for asset retirement obligations in the amount of €882 million (2013: €878 million). Also contained in this item is the net interest cost from provisions for pensions in the amount of €93 million (2013: €146 million). A total of €136 million (2013: €0 million) in penalties was paid in 2014 in connection with early bond repayments.

Other interest expenses further include the effects on financial results of carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries and of non-controlling interests in fully consolidated partnerships with legal structures that give their shareholders a statutory right of withdrawal combined with a compensation claim, which according to IAS 32 must be recognized as liabilities and amounted to €22 million (2013: €120 million).

Interest expense was reduced by capitalized interest on debt totaling €162 million (2013: €200 million).

Realized gains and losses from interest rate swaps are shown net on the face of the income statement.

(10) Income Taxes

The following table provides details of income taxes, including deferred taxes, for the periods indicated:

Income Taxes		
€ in millions	2014	2013
Domestic income taxes	-349	884
Foreign income taxes	302	513
Other income taxes	–	–
Current taxes	**-47**	**1,397**
Domestic	654	-754
Foreign	-31	75
Deferred taxes	**623**	**-679**
Total income taxes	**576**	**718**

The tax expense in 2014 amounted to €0.6 billion, compared with €0.7 billion in 2013. In spite of the pre-tax loss there is still a tax expense, and hence a negative effective tax rate of 24 percent (2013: 23 percent). Certain impairment losses were not deductible for tax purposes and consequently provided no tax relief in 2014. The tax expense additionally includes major non-recurring effects from changes in the value of deferred tax assets and tax income for previous years. In 2013, higher tax-exempt book gains reduced the effective tax rate.

Of the amount reported as current taxes, -€712 million is attributable to previous years (2013: €636 million).

Deferred taxes reported for 2014 resulted from changes in temporary differences, which totaled €259 million (2013: €222 million), loss carryforwards of €310 million (2013: -€906 million) and tax credits amounting to €54 million (2013: €5 million).

German legislation providing for fiscal measures to accompany the introduction of the European Company and amending other fiscal provisions ("SE-Steuergesetz" or "SEStEG"), which came into effect on December 13, 2006, altered the regulations on corporate tax credits arising from the corporate imputation system ("Anrechnungsverfahren"), which had existed until 2001. The change de-links the corporate tax credit from distributions of dividends. Instead, after December 31, 2006, an unconditional claim for payment of the credit in ten equal annual installments from 2008 through 2017 has been established. The resulting receivable is included in income tax assets and amounted to €78 million in 2014 (2013: €89 million).

Income tax liabilities consist primarily of income taxes for the respective current year and for prior-year periods that have not yet been definitively examined by the tax authorities.

As of December 31, 2014, €27 million (2013: €12 million) in deferred tax liabilities were recognized for the differences between net assets and the tax bases of subsidiaries and associated companies (the so-called "outside basis differences").

Deferred tax liabilities were not recognized for subsidiaries and associated companies to the extent that the Company can control the reversal effect and that it is therefore probable that temporary differences will not be reversed in the foreseeable future. Accordingly, deferred tax liabilities were not recognized for temporary differences of €261 million (2013: €1,320 million) at subsidiaries and associated companies, as E.ON is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

Changes in foreign tax rates resulted in a tax expense of €5 million in total (2013: tax income of €71 million).

Income taxes relating to discontinued operations (see also Note 4) are reported in the income statement under "Income from discontinued operations, net." They amounted to tax income of €13 million (2013: €11 million).

The prior-year figures have been similarly adjusted to include discontinued operations, and also to reflect the initial application of IFRS 10 and IFRS 11 (see also Note 2).

The differences between the 2014 base income tax rate of 30 percent (2013: 30 percent) applicable in Germany and the effective tax rate are reconciled as follows:

Reconciliation to Effective Income Taxes/Tax Rate

	2014		2013	
	€ in millions	in %	€ in millions	in %
Expected corporate income tax	-714	30.0	924	30.0
Credit for dividend distributions	-3	0.1	7	0.2
Foreign tax rate differentials	-86	3.6	-137	-4.4
Changes in tax rate/tax law	5	-0.2	-71	-2.3
Tax effects on tax-free income	-171	7.2	-711	-23.1
Tax effects on equity accounting	88	-3.7	70	2.3
Other[1]	1,457	-61.2	636	20.6
Effective income taxes/tax rate	**576**	**-24.2**	**718**	**23.3**

[1]Including €1,234 million in changes in the value of deferred tax assets (2013: €189 million) and -€649 million in taxes for previous years (2013: €144 million).

Deferred tax assets and liabilities as of December 31, 2014, and December 31, 2013, break down as shown in the following table:

Deferred Tax Assets and Liabilities

€ in millions	December 31 2014	December 31 2013
Intangible assets	294	313
Property, plant and equipment	264	685
Financial assets	159	182
Inventories	25	25
Receivables	707	708
Provisions	7,810	6,673
Liabilities	5,698	3,087
Net operating loss carryforwards	2,488	3,187
Tax credits	13	26
Other	651	523
Subtotal	**18,109**	**15,409**
Changes in value	-1,688	-957
Deferred tax assets	**16,421**	**14,452**
Intangible assets	1,007	1,638
Property, plant and equipment	4,280	5,310
Financial assets	521	275
Inventories	105	145
Receivables	5,708	3,425
Provisions	2,255	1,859
Liabilities	1,180	794
Other	913	1,585
Deferred tax liabilities	**15,969**	**15,031**
Net deferred tax assets/liabilities (-)	**452**	**-579**

Net deferred taxes break down as follows based on the timing of their reversal:

Net Deferred Tax Assets and Liabilities

	December 31, 2014		December 31, 2013	
€ in millions	Current	Non-current	Current	Non-current
Deferred tax assets	1,787	6,379	2,790	5,492
Changes in value	-11	-1,983	-14	-943
Net deferred tax assets	**1,776**	**4,396**	**2,776**	**4,549**
Deferred tax liabilities	-1,841	-3,879	-2,328	-5,576
Net deferred tax assets/liabilities (-)	**-65**	**517**	**448**	**-1,027**

Of the deferred taxes reported, a total of -€1,789 million was charged directly to equity in 2014 (2013: -€605 million charge). A further €45 million in current taxes (2013: €43 million) was also recognized directly in equity.

Income taxes recognized in other comprehensive income for the years 2014 and 2013 break down as follows:

Income Taxes on Components of Other Comprehensive Income

	2014			2013		
€ in millions	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Cash flow hedges	-718	211	-507	112	-25	87
Available-for-sale securities	-262	-48	-310	368	26	394
Currency translation adjustments	-2,530	77	-2,453	-1,296	-22	-1,318
Remeasurements of defined benefit plans	-3,299	942	-2,357	504	-261	243
Companies accounted for under the equity method	-53	3	-50	-984	1	-983
Total	**-6,862**	**1,185**	**-5,677**	**-1,296**	**-281**	**-1,577**

The declared tax loss carryforwards as of the dates indicated are as follows:

Tax Loss Carryforwards

	December 31	
€ in millions	2014	2013
Domestic tax loss carryforwards	7,730	4,178
Foreign tax loss carryforwards	8,604	7,642
Total	**16,334**	**11,820**

Since January 1, 2004, domestic tax loss carryforwards can only be offset against a maximum of 60 percent of taxable income, subject to a full offset against the first €1 million. This minimum corporate taxation also applies to trade tax loss carryforwards. The domestic tax loss carryforwards result from adding corporate tax loss carryforwards amounting to €2,958 million (2013: €1,746 million) and trade tax loss carryforwards amounting to €4,772 million (2013: €2,432 million).

The foreign tax loss carryforwards consist of corporate tax loss carryforwards amounting to €5,521 million (2013: €4,252 million) and local income taxes amounting to €3,083 million (2013: €3,390 million). Of the foreign tax loss carryforwards, a significant portion relates to previous years. No deferred taxes have been recognized on a total of €2,760 million (2013: €1,853 million) in tax loss carryforwards that, for the most part, do not expire.

As of December 31, 2014, and December 31, 2013, E.ON reported deferred tax assets for companies that incurred losses in the current or the prior-year period that exceed the deferred tax liabilities by €3,050 million and €2,786 million, respectively. The basis for recognizing deferred tax assets is an estimate by management of the extent to which it is probable that the respective companies will achieve taxable earnings in the future against which the as yet unused tax losses, tax credits and deductible temporary differences can be offset.

(11) Personnel-Related Information

Personnel Costs

The following table provides details of personnel costs for the periods indicated:

Personnel Costs		
€ in millions	2014	2013
Wages and salaries	3,212	3,622
Social security contributions	506	572
Pension costs and other employee benefits	403	410
Pension costs	*397*	*402*
Total	**4,121**	**4,604**

Personnel costs fell by €483 million to €4,121 million (2013: €4,604 million). The decline was due primarily to the effects that occurred in the context of the E.ON 2.0 restructuring program and to the respective sales and disposals of interests in E.ON Mitte, E.ON Thüringer Energie, E.ON Energy from Waste and E.ON Westfalen Weser in 2013.

Share-Based Payment

The expenses for share-based payment in 2014 (employee stock purchase programs in Germany and the United Kingdom, the E.ON Share Performance Plan and the E.ON Share Matching Plan) amounted to €50.8 million (2013: €18.1 million).

Employee Stock Purchase Program

In 2014, as in 2013, employees at German E.ON Group companies had the opportunity to purchase E.ON shares at preferential terms under a voluntary employee stock purchase program. Employees receive a matching contribution from the Company of €400 at present on the shares they purchased by the November 20, 2014, cut-off date. Based on the stock package being bought, the employee contribution in 2014 ranged from a minimum of €500 to a maximum of €2,000. On that date, the relevant market price of E.ON stock was €12.80. Depending on the number of shares purchased, the preferential prices paid ranged between €7.09 and €10.66 (2013: between €6.83 and €11.16). The lock-up period for the shares ends on December 31, 2016. The expense of €4.6 million (2013: €6.3 million) arising from granting the preferential prices is recognized as personnel costs and included in the "Wages and salaries" line item.

As part of the voluntary employee stock purchase program, E.ON distributed a total of 919,064 treasury shares (0.05 percent of the capital stock of E.ON SE) in Germany in 2014 (2013: 1,057,296 treasury shares, or 0.05 percent of the capital stock of E.ON SE).

Information on the changes in the number of treasury shares held by E.ON SE can be found in Note 19.

Since the 2003 fiscal year, employees in the United Kingdom have the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire additional bonus shares. The expense of issuing these matching shares amounted to €1.9 million in 2014 (2013: €1.9 million) and is also recorded under personnel costs as part of "Wages and salaries."

Long-Term Variable Compensation

Members of the Board of Management of E.ON SE and certain executives of the E.ON Group receive share-based payment as part of their voluntary long-term variable compensation. The purpose of such compensation is to reward their contribution to E.ON's growth and to further the long-term success of the Company. This variable compensation component, comprising a long-term incentive effect along with a certain element of risk, provides for a sensible linking of the interests of shareholders and management.

The following discussion includes reports on the E.ON Share Performance Plan, which was introduced in 2006 and modified in 2010 and 2011 for subsequent tranches, and on the E.ON Share Matching Plan introduced in 2013.

E.ON Share Performance Plan

From 2006 through 2012, E.ON granted virtual shares ("Performance Rights") under the E.ON Share Performance Plan.

Beginning in 2011, grants of Performance Rights required possession of a specified number of E.ON SE shares, which had to be held through the end of the term or until the rights were fully exercised. At the end of its term, each Performance Right is entitled to a cash payout linked to the final E.ON share price established at that time and—under the modified terms of the plan, beginning with the sixth tranche—to the degree to which specific corporate financial measures are achieved over the term. The benchmark is the return on capital, expressed as the return on average capital employed ("ROACE") compared with the weighted-average cost of capital ("WACC"), averaged over the unchanged four-year term of the new tranche. At the same time, starting with the sixth tranche, the maximum payout was further limited to 2.5 times the target value originally set.

60-day average prices are used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements. The plan contains adjustment mechanisms to eliminate the effects of interim corporate actions.

The following are the base parameters of the two tranches active in 2014 under these plan terms:

E.ON Share Performance Rights	7th tranche	6th tranche
Date of issuance	Jan. 1, 2012	Jan. 1, 2011
Term	4 years	4 years
Target value at issuance	€17.10	€22.43
Maximum amount paid	€42.75	€56.08

The 60-day average of the E.ON share price as of the balance sheet date is used to measure the fair value of the rights. The provision for the plan as of the balance sheet date is €31.8 million (2013: €19.7 million). The expense for the sixth and seventh tranches in the 2014 fiscal year was €12.4 million (2013: €1.1 million).

E.ON Share Matching Plan

Since 2013, E.ON has been granting virtual shares under the E.ON Share Matching Plan. At the end of its four-year term, each virtual share is entitled to a cash payout linked to the final E.ON share price established at that time. The calculation inputs for this long-term variable compensation package are equity deferral, basis matching and performance matching.

The equity deferral is determined by multiplying an arithmetic portion of the beneficiary's contractually agreed target bonus by the beneficiary's total target achievement percentage from the previous year. The equity deferral is converted into virtual shares and vests immediately. In the United States, the granting of virtual shares in the amount of the equity deferral is generally scheduled to begin by 2015. Beneficiaries are additionally granted virtual shares in the context of basis matching and performance matching. For members of the Board of Management of E.ON SE, the proportion of basis matching to the equity deferral is determined at the discretion of the Supervisory Board; for all other beneficiaries it is 2:1. The performance-matching target value at allocation is equal to that for basis matching in terms of amount. Performance matching will result in a payout only on achievement of a minimum performance, based on ROACE, as specified at the beginning of the term by the Board of Management and the Supervisory Board.

The amount paid out under performance matching is equal to the target value at issuance if the E.ON share price is maintained at the end of the term and if the average ROACE performance matches a target value specified by the Board of Management and the Supervisory Board. If the average ROACE during the four-year term exceeded the target value, the number of virtual shares granted under performance matching increases up to a maximum of twice the target value. If the average ROACE falls short of the target value, the number of virtual shares, and thus also the amount paid out, decreases. In the event of a defined underperformance, there is no payout under performance matching.

A payout generally will not take place until after the end of the four-year term. This applies even if the beneficiary retires beforehand, or if the beneficiary's contract is terminated on operational grounds or expires during the term. A payout before the end of the term will take place in the event of a change of control or on the death of the beneficiary. If the service or employment relationship ends before the end of the term for reasons within the control of the beneficiary, all virtual shares—except for those that resulted from the equity deferral—expire.

At the end of the term, the sum of the dividends paid to an ordinary shareholder during the term is added to each virtual share. The maximum amount to be paid out to a plan participant is limited to twice the sum of the equity deferral, the basis matching and the target value under performance matching.

60-day average prices are used to determine both the target value at issuance and the final price in order to mitigate the effects of incidental, short-lived price movements.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions.

The following are the base parameters of the tranches active in 2014 under these plan terms:

E.ON Share Matching Virtual Shares	2nd tranche	1st tranche
Date of issuance	Apr. 1, 2014	Apr. 1, 2013
Term	4 years	4 years
Target value at issuance	€13.65	€13.31

The 60-day average of the E.ON share price as of the balance sheet date is used to measure the fair value of the virtual shares. In addition, the change in ROACE is simulated for performance matching. The provision for the first and second tranches of the E.ON Share Matching Plan as of the balance sheet date is €40.6 million (2013: €8.8 million). The expense for the first and second tranches amounted to €31.9 million in the 2014 fiscal year (2013: €9.1 million).

Employees

During 2014, E.ON employed an average of 59,301 persons (2013: 64,381), not including an average of 1,321 apprentices (2013: 1,563).

The breakdown by segment is shown in the table below:

Employees[1]	2014	2013
Generation	8,262	9,292
Renewables	1,699	1,768
Global Commodities	1,264	1,695
Exploration & Production	234	207
Germany	12,000	13,939
Other EU Countries[2]	25,108	26,671
Non-EU Countries	5,232	5,043
Group Management/Other[3]	5,502	5,766
Total	**59,301**	**64,381**

[1]Figures do not include board members, managing directors, or apprentices.
[2]Not including the Spanish and Italian entities reported as discontinued operations.
[3]Includes E.ON Business Services.

(12) Other Information

German Corporate Governance Code

On December 15, 2014, the Board of Management and the Supervisory Board of E.ON SE made a declaration of compliance pursuant to Section 161 of the German Stock Corporation Act ("AktG"). The declaration has been made permanently and publicly accessible to stockholders on the Company's Web site (www.eon.com).

Fees and Services of the Independent Auditor

During 2014 and 2013, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC") Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

Independent Auditor Fees € in millions	2014	2013
Financial statement audits	21	24
Domestic	*13*	*16*
Other attestation services	21	20
Domestic	*18*	*16*
Tax advisory services	1	1
Domestic	–	–
Other services	1	2
Domestic	–	–
Total	**44**	**47**
Domestic	*31*	*32*

The fees for financial statement audits concern the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON SE and its affiliates.

Fees for other attestation services concern in particular the review of the interim IFRS financial statements. Further included in this item are project-related reviews performed in the context of the introduction of IT and internal control systems, due-diligence services rendered in connection with acquisitions and divestitures, and other mandatory and voluntary audits. Advisory charges included in the fees for other attestation services amounted to €2 million.

Fees for tax advisory services primarily include advisory on a case-by-case basis with regard to the tax treatment of M&A transactions, ongoing consulting related to the preparation of tax returns and the review of tax assessments, as well as advisory on other tax-related issues, both in Germany and abroad.

Fees for other services consist primarily of technical support in IT and other projects.

List of Shareholdings

The list of shareholdings pursuant to Section 313 (2) HGB is an integral part of these Notes to the Financial Statements and is presented on pages 203 through 215.

(13) Earnings per Share

The computation of basic and diluted earnings per share for the periods indicated is shown below:

Earnings per Share

€ in millions	2014	2013
Income/Loss from continuing operations	-2,955	2,361
Less: Non-controlling interests	-24	-362
Income/Loss from continuing operations (attributable to shareholders of E.ON SE)	**-2,979**	**1,999**
Income from discontinued operations, net	-175	98
Less: Non-controlling interests	-6	-6
Income/Loss from discontinued operations, net (attributable to shareholders of E.ON SE)	**-181**	**92**
Net loss/income attributable to shareholders of E.ON SE	**-3,160**	**2,091**
in €		
Earnings per share (attributable to shareholders of E.ON SE)		
from continuing operations	-1.55	1.05
from discontinued operations	-0.09	0.05
from net loss/income	**-1.64**	**1.10**
Weighted-average number of shares outstanding (in millions)	1,923	1,907

The initial application of IFRS 10 and IFRS 11 did not produce a change in earnings per share.

The computation of diluted earnings per share is identical to that of basic earnings per share because E.ON SE has issued no potentially dilutive ordinary shares.

(14) Goodwill, Intangible Assets and Property, Plant and Equipment

The changes in goodwill and intangible assets, and in property, plant and equipment, are presented in the tables on the following pages:

Goodwill, Intangible Assets and Property, Plant and Equipment

	Acquisition and production costs						
€ in millions	January 1, 2014	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	December 31, 2014
Goodwill	**16,062**	**-276**	**-3,462**	**0**	**0**	**0**	**12,324**
Marketing-related intangible assets	3	–	–	–	–	-1	2
Customer-related intangible assets	921	-10	-162	–	-158	–	591
Contract-based intangible assets	6,726	-859	-1,330	115	-19	24	4,657
Technology-based intangible assets	881	-10	-158	28	-30	29	740
Internally generated intangible assets	141	3	1	18	-28	20	155
Intangible assets subject to amortization	**8,672**	**-876**	**-1,649**	**161**	**-235**	**72**	**6,145**
Intangible assets not subject to amortization	1,897	-3	-96	1,723	-2,070	3	1,454
Advance payments on intangible assets	143	8	-13	135	-2	-48	223
Intangible assets	**10,712**	**-871**	**-1,758**	**2,019**	**-2,307**	**27**	**7,822**
Real estate and leasehold rights	2,967	-89	-189	9	-18	10	2,690
Buildings	7,745	-502	-623	96	-87	45	6,674
Technical equipment, plant and machinery	87,231	-960	-11,113	2,072	-584	2,897	79,543
Other equipment, fixtures, furniture and office equipment	1,424	-16	-27	71	-65	23	1,410
Advance payments and construction in progress	7,598	-388	-139	2,412	-47	-2,995	6,441
Property, plant and equipment	**106,965**	**-1,955**	**-12,091**	**4,660**	**-801**	**-20**	**96,758**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2014

€ in millions	Genera-tion	Renew-ables[5]	Global Commodi-ties	Explora-tion & Production	Germany	Other EU Countries	Russia[4]	Group Manage-ment/ Consolida-tion	E.ON Group
Net carrying amount of goodwill as of January 1, 2014	**4,294**	**1,846**	**1,064**	**1,835**	**826**	**1,434**	**1,367**	**0**	**12,666**
Changes resulting from acquisitions and disposals	–	–	–	–	-10	14	–	–	4
Impairment charges	-37	-91	–	–	–	–	–	–	-128
Other changes[1]	64	-57	–	-27	–	-200	-510	–	-730
Net carrying amount of goodwill as of December 31, 2014	**4,321**	**1,698**	**1,064**	**1,808**	**816**	**1,248**	**857**	**0**	**11,812**
Growth rate (in %)[2]	0.0	0.0–2.0	1.5	1.5	–	–	3.5	–	–
Cost of capital (in %)[2]	6.5	5.6–6.1	5.8	7.4	–	–	15.0	–	–
Other non-current assets[3]									
Impairment	-4,249	-170	-93	-372	-24	-47	-23	–	-4,978
Reversals	26	24	205	–	1	1	–	–	257

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale. Also included is the goodwill impairment of discontinued operations.
[2]Presented here are growth rates and cost of capital for selected cash-generating units whose respective goodwill is material when compared with the carrying amount of all goodwill.
[3]Other non-current assets consist of intangible assets and of property, plant and equipment.
[4]Growth rate and cost of capital before taxes, in local currency.
[5]The Renewables segment consists of the two cash-generating units EC&R and Hydro. Their net carrying amounts of goodwill as of December 31, 2014, were €1,292 million and €406 million, respectively.

Accumulated depreciation									Net carrying amounts
January 1, 2014	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2014	December 31, 2014
-3,396	**1**	**3,011**	**0**	**0**	**0**	**-128**	**0**	**-512**	**11,812**
-1	–	-1	–	–	–	–	–	-2	0
-614	7	147	-39	157	–	–	–	-342	249
-2,199	181	687	-212	7	–	-102	23	-1,615	3,042
-652	9	118	-74	29	–	-1	–	-571	169
-75	-2	1	-25	20	–	–	–	-81	74
-3,541	**195**	**952**	**-350**	**213**	**0**	**-103**	**23**	**-2,611**	**3,534**
-512	-2	–	–	66	–	-62	203	-307	1,147
-11	-2	2	–	–	–	-11	–	-22	201
-4,064	**191**	**954**	**-350**	**279**	**0**	**-176**	**226**	**-2,940**	**4,882**
-386	1	12	-7	4	–	-35	–	-411	2,279
-4,520	159	519	-172	53	12	-133	–	-4,082	2,592
-50,832	398	7,893	-2,944	231	-18	-3,621	23	-48,870	30,673
-1,008	9	31	-107	49	-6	-5	–	-1,037	373
-136	29	14	–	1	7	-1,008	8	-1,085	5,356
-56,882	**596**	**8,469**	**-3,230**	**338**	**-5**	**-4,802**	**31**	**-55,485**	**41,273**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2014—Presentation of Other EU Countries

€ in millions	UK	Sweden	Czechia	Hungary	Other regional units	Other EU Countries
Net carrying amount of goodwill as of January 1, 2014	**899**	**132**	**43**	**0**	**360**	**1,434**
Changes resulting from acquisitions and disposals	–	-3	8	–	9	14
Impairment charges	–	–	–	–	–	–
Other changes[1]	63	-8	-1	–	-254	-200
Net carrying amount of goodwill as of December 31, 2014	**962**	**121**	**50**	**0**	**115**	**1,248**
Other non-current assets[2]						
Impairment	-11	–	–	–	-36	-47
Reversals	–	1	–	–	–	1

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Other non-current assets consist of intangible assets and of property, plant and equipment.

Goodwill, Intangible Assets and Property, Plant and Equipment

€ in millions	Acquisition and production costs: January 1, 2013	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	December 31, 2013
Goodwill	**16,677**	**-291**	**-324**	**0**	**0**	**0**	**16,062**
Marketing-related intangible assets	6	–	-3	–	–	–	3
Customer-related intangible assets	1,819	-39	-12	4	-851	–	921
Contract-based intangible assets	6,990	-329	-20	89	-51	47	6,726
Technology-based intangible assets	872	-14	-32	79	-66	42	881
Internally generated intangible assets	265	-5	-9	11	-121	–	141
Intangible assets subject to amortization	**9,952**	**-387**	**-76**	**183**	**-1,089**	**89**	**8,672**
Intangible assets not subject to amortization	1,444	-56	-21	2,339	-1,829	20	1,897
Advance payments on intangible assets	88	-2	-1	131	–	-73	143
Intangible assets	**11,484**	**-445**	**-98**	**2,653**	**-2,918**	**36**	**10,712**
Real estate and leasehold rights	3,126	-60	-110	14	-10	7	2,967
Buildings	8,170	-221	-349	46	-12	111	7,745
Technical equipment, plant and machinery	89,756	-1,538	-7,362	2,048	-509	4,836	87,231
Other equipment, fixtures, furniture and office equipment	1,530	-19	-222	125	-123	133	1,424
Advance payments and construction in progress	10,444	-331	-59	2,723	-167	-5,012	7,598
Property, plant and equipment	**113,026**	**-2,169**	**-8,102**	**4,956**	**-821**	**75**	**106,965**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2013

€ in millions	Genera-tion	Renew-ables	Global Commodi-ties	Explora-tion & Production	Germany	Other EU Countries	Russia[4]	Group Manage-ment/ Consolida-tion	E.ON Group
Net carrying amount of good-will as of January 1, 2013	**4,343**	**1,977**	**1,177**	**1,857**	**955**	**1,463**	**1,537**	**0**	**13,309**
Changes resulting from acqui-sitions and disposals	–	-177	–	–	-63	31	–	–	-209
Impairment charges	–	–	-111	–	–	-27	–	–	-138
Other changes[1]	-49	46	-2	-22	-66	-33	-170	–	-296
Net carrying amount of good-will as of December 31, 2013	**4,294**	**1,846**	**1,064**	**1,835**	**826**	**1,434**	**1,367**	**0**	**12,666**
Growth rate (in %)[2]	1.5	1.5–2.0	1.5	1.5	–	–	3.5	–	–
Cost of capital (in %)[2]	6.7	5.8–6.6	5.7	7.4	–	–	13.9	–	–
Other non-current assets[3]									
Impairment	-798	-149	-288	-221	-8	-44	-278	–	-1,786
Reversals	397	–	34	–	–	85	–	–	516

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Presented here are growth rates and cost of capital for selected cash-generating units whose respective goodwill is material when compared with the carrying amount of all goodwill.
[3]Other non-current assets consist of intangible assets and of property, plant and equipment.
[4]Growth rate and cost of capital before taxes, in local currency.

Accumulated depreciation									Net carrying amounts
January 1, 2013	Exchange rate differences	Changes in scope of consolida-tion	Additions	Disposals	Transfers	Impairment	Reversals	December 31, 2013	December 31, 2013
-3,368	**-1**	**111**	**0**	**0**	**0**	**-138**	**0**	**-3,396**	**12,666**
-2	–	1	–	–	–	–	–	-1	2
-1,507	37	44	-37	851	-1	-1	–	-614	307
-2,021	61	10	-231	37	-2	-54	1	-2,199	4,527
-655	11	26	-94	64	-4	–	–	-652	229
-175	5	1	-26	121	2	-3	–	-75	66
-4,360	**114**	**82**	**-388**	**1,073**	**-5**	**-58**	**1**	**-3,541**	**5,131**
-185	11	1	–	1	-22	-352	34	-512	1,385
-8	–	–	–	–	–	-3	–	-11	132
-4,553	**125**	**83**	**-388**	**1,074**	**-27**	**-413**	**35**	**-4,064**	**6,648**
-420	3	31	-8	–	1	-8	15	-386	2,581
-4,576	75	271	-191	8	35	-172	30	-4,520	3,225
-52,822	556	4,713	-2,846	386	-44	-1,164	389	-50,832	36,399
-1,044	13	150	-128	105	-104	-1	1	-1,008	416
-224	2	–	–	36	32	-28	46	-136	7,462
-59,086	**649**	**5,165**	**-3,173**	**535**	**-80**	**-1,373**	**481**	**-56,882**	**50,083**

Changes in Goodwill and in Other Reversals and Impairment Charges by Segment from January 1, 2013—Presentation of Other EU Countries

€ in millions	UK	Sweden	Czechia	Hungary	Other regional units	Other EU Countries
Net carrying amount of goodwill as of January 1, 2013	**918**	**140**	**53**	**0**	**352**	**1,463**
Changes resulting from acquisitions and disposals	–	-3	-1	–	35	31
Impairment charges	–	–	–	–	-27	-27
Other changes[1]	-19	-5	-9	–	–	-33
Net carrying amount of goodwill as of December 31, 2013	**899**	**132**	**43**	**0**	**360**	**1,434**
Other non-current assets[2]						
Impairment	-8	-5	–	-27	-4	-44
Reversals	22	–	8	–	55	85

[1]Other changes include restructuring, transfers and exchange rate differences, as well as reclassifications to assets held for sale.
[2]Other non-current assets consist of intangible assets and of property, plant and equipment.

Goodwill and Non-Current Assets

Since the beginning of 2014, the Group's biomass activities have been reported within the Generation global unit. The corresponding comparative prior-year figures were adjusted.

The changes in goodwill within the segments, as well as the allocation of impairments and their reversals to each reportable segment, are presented in the tables on pages 142 and 143.

Impairments

IFRS 3 prohibits the amortization of goodwill. Instead, goodwill is tested for impairment at least annually at the level of the cash-generating units. Goodwill must also be tested for impairment at the level of individual cash-generating units between these annual tests if events or changes in circumstances indicate that the recoverable amount of a particular cash-generating unit might be impaired. Intangible assets subject to amortization and property, plant and equipment must generally be tested for impairment whenever there are particular events or external circumstances indicating the possibility of impairment.

To perform the impairment tests, the Company first determines the fair values less costs to sell of its cash-generating units. In the absence of binding sales transactions or market prices for the respective cash-generating units, fair values are calculated based on discounted cash flow methods.

Valuations are based on the medium-term corporate planning authorized by the Board of Management. The calculations for impairment-testing purposes are generally based on the three planning years of the medium-term plan plus two additional detailed planning years. In certain justified exceptional cases, a longer detailed planning period of ten years is used as the calculation basis, especially when that is required under a regulatory framework or specific regulatory provisions. The cash flow assumptions extending beyond the detailed planning period are determined using segment-specific growth rates that are based on historical analysis and prospective forecasting. The growth rates used in 2014 generally correspond to the inflation rates in each of the countries where the cash-generating units operate. In 2014, the inflation rate used for the euro area was 1.5 percent (2013: 1.5 percent). For the Renewables reporting segment, the growth rate is also adjusted for segment-specific forecasts of changes by the respective business units (for example, regulatory framework, reinvestment cycles or growth prospects). Given their deteriorated growth prospects, the Generation and Hydro units are for the first time using a growth rate of 0 percent. The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit, and as of December 31, 2014, ranged between 4.8 and 8.3 percent after taxes (2013: 4.9 and 8.6 percent).

The principal assumptions underlying the determination by management of recoverable amount are the respective forecasts for commodity market prices, future electricity and gas prices in the wholesale and retail markets, E.ON's investment activity, changes in the regulatory framework, as well as for rates of growth and the cost of capital. These assumptions are based on market data, where publicly available.

The above discussion applies accordingly to the testing for impairment of intangible assets and of property, plant and equipment, and of groups of these assets. In the Generation segment, for example, the tests are based on the respective remaining useful life and on other plant-specific valuation parameters. If the goodwill of a cash-generating unit is combined with assets or groups of assets for impairment testing, the assets must be tested first.

The recoverable amount primarily used to test a business for impairment is the fair value less costs to sell; at the Russia focus region, however, the recoverable amount is based on the value in use. The value in use for the Russia region is determined in local currency and according to the regulatory framework over a detailed planning period of 16 years. The pre-tax cost of capital of this cash-generating unit is 15 percent (after-tax interest rate: 12 percent; 2013: 13.9 and 11.1 percent, respectively).

The goodwill impairment testing performed in 2014 necessitated no recognition of impairment charges (2013: €27 million). However, impairments on goodwill were recognized in connection with initiated disposals in the amount of €382 million (2013: €111 million) (see Note 4 for additional details).

The goodwill of all cash-generating units whose goodwill is material in relation to the total carrying amount of all goodwill shows a surplus of recoverable amounts over the respective carrying amounts and, therefore, based on current assessment of the economic situation, only a significant change in the material valuation parameters would necessitate the recognition of goodwill impairment.

In the 2014 fiscal year, impairments were recognized on property, plant and equipment in the amount of €4,802 million. The most substantial individual issue in terms of amount, at €990 million, relates to two nuclear generation units in Sweden, which were written down in the fourth quarter to a recoverable amount of €22 million. The primary reasons for this charge were lower expected power sales, the additional investment needed to fulfill government-mandated safety specifications for long-term operation and the associated review of the potential useful life of the units. Further material impairment charges were recognized at the Generation global unit in the United Kingdom, of which the largest in terms of amount related to two conventional power plants. These were written down by €441 million and €392 million, respectively, to recoverable amounts of €651 million and €0 million. The main reason for this impairment was the reduction of market spreads. In addition, a Swedish thermal power plant was fully written down by an amount of €320 million because it is expected that the facility will be rendered economically inoperable as a consequence of environmental specifications. Moreover, conventional generation capacity was written down by €1.2 billion in the context of the divestment process in Italy (see also Note 4).

E.ON has made the general assumption in 2014 that the market will not return to an equilibrium free from regulatory elements. Appropriate compensation elements were taken into account for the first time.

Impairments on intangible assets amounted to €176 million in 2014. Of this amount, €102 million was attributable to the Renewables segment.

Reversals of impairments recognized in previous years amounted to €257 million in 2014, of which €203 million was attributable to emission rights.

In the 2013 fiscal year, impairments were recognized on property, plant and equipment in the amount of €1,373 million. The most substantial individual issue in terms of amount, at €176 million, related to a power plant in Russia, which was written down to a recoverable amount of €250 million in the third quarter of 2013 because of a changed regulatory framework. The recoverable amount was the value in use. The other impairment charges on property, plant and equipment related to a variety of specific issues and were primarily attributable to conventional power plants at the Generation global unit (€798 million), Russia (a further €102 million), and the Renewables global unit (€94 million).

Impairments on intangible assets totaled €413 million in 2013. Of this amount, €206 million was attributable to emission rights in the Global Commodities segment, which were written down to fair values less costs to sell of €242 million in line with the market price on the reporting date. Additional impairment losses of €144 million had to be recognized in the Exploration & Production segment.

Because impairments were recognized on a number of items of property, plant and equipment in previous years, and particularly on generation assets, the assets involved were particularly sensitive in subsequent years to future changes in the principal assumptions used to determine their recoverable amounts.

Recoverable amounts were determined for virtually all generation assets as part of the impairment tests. In specific cases in 2013, this also led to reversals of €397 million in total, which were mainly attributable to power plants in Spain, Italy, the Netherlands and Germany, and resulted primarily from changes in forecasts for electricity prices and fuel costs. Additional reversals totaling €85 million were attributable to other segments.

Intangible Assets

In 2014, the Company recorded an amortization expense of €350 million (2013: €388 million). Impairment charges on intangible assets amounted to €176 million in 2014 (2013: €413 million).

Reversals of impairments on intangible assets totaled €226 million in 2014 (2013: €35 million). Of this amount, €203 million is attributable to price effects in carbon allowances.

Intangible assets include emission rights from different trading systems with a carrying amount of €447 million (2013: €626 million). The year-on-year decrease in emission rights is primarily the result of the reclassification to discontinued operations, which reduced the carrying amount by €96 million.

€30 million in research and development costs as defined by IAS 38 were expensed in 2014 (2013: €42 million).

As of December 31, 2014, intangible assets from exploration activity had carrying amounts of €299 million (2013: €352 million). Impairment charges of €47 million (2013: €144 million) were recognized on these intangible assets.

Property, Plant and Equipment

Borrowing costs in the amount of €162 million were capitalized in 2014 (2013: €200 million) as part of the historical cost of property, plant and equipment.

In 2014, the Company recorded depreciation of property, plant and equipment in the amount of €3,230 million (2013: €3,173 million). Impairment charges, including those relating to the issues already mentioned, were recognized on property, plant and equipment in the amount of €4,802 million (2013: €1,373 million). A total of €31 million in reversals of impairments on property, plant and equipment was recognized in 2014 (2013: €481 million).

In 2014 there were restrictions on disposals involving primarily land and buildings, as well as technical equipment and machinery, in the amount of €1,926 million (2013: €1,753 million).

Certain gas storage facilities, supply networks and power plants are utilized under finance leases and capitalized in the E.ON Consolidated Financial Statements because the economic ownership of the assets leased is attributable to E.ON.

The property, plant and equipment thus capitalized had the following carrying amounts as of December 31, 2014:

E.ON as Lessee—Carrying Amounts of Capitalized Lease Assets

€ in millions	December 31 2014	2013
Land	12	4
Buildings	–	–
Technical equipment, plant and machinery	725	815
Other equipment, fixtures, furniture and office equipment	103	103
Net carrying amount of capitalized lease assets	**840**	**922**

Some of the leases contain price-adjustment clauses, as well as extension and purchase options. The corresponding payment obligations under finance leases are due as shown below:

E.ON as Lessee—Payment Obligations under Finance Leases

	Minimum lease payments		Covered interest share		Present values	
€ in millions	2014	2013	2014	2013	2014	2013
Due within 1 year	100	108	56	65	44	43
Due in 1 to 5 years	390	422	217	259	173	163
Due in more than 5 years	1,341	1,720	745	1,013	596	707
Total	**1,831**	**2,250**	**1,018**	**1,337**	**813**	**913**

The present value of the minimum lease obligations is reported under liabilities from leases.

Regarding future obligations under operating leases where economic ownership is not transferred to E.ON as the lessee, see Note 27.

E.ON also functions in the capacity of lessor. Contingent lease payments received totaled €57 million (2013: €58 million). Future lease installments receivable under operating leases are due as shown in the table at right:

E.ON as Lessor—Operating Leases

€ in millions	2014	2013
Nominal value of outstanding lease installments		
Due within 1 year	13	18
Due in 1 to 5 years	23	29
Due in more than 5 years	11	12
Total	**47**	**59**

See Note 17 for information on receivables from finance leases.

(15) Companies Accounted for under the Equity Method and Other Financial Assets

The following table shows the structure of the companies accounted for under the equity method and the other financial assets as of the dates indicated:

Companies Accounted for under the Equity Method and Other Financial Assets

	December 31, 2014			December 31, 2013		
€ in millions	E.ON Group	Associates[1]	Joint ventures	E.ON Group	Associates[1]	Joint ventures
Companies accounted for under the equity method	5,009	2,423	2,586	5,652	2,972	2,680
Equity investments	1,573	245	9	1,966	246	12
Non-current securities	4,781	–	–	4,444	–	–
Total	**11,363**	**2,668**	**2,595**	**12,062**	**3,218**	**2,692**

[1]The associates presented as equity investments are associated companies accounted for at cost on materiality grounds.

Companies accounted for under the equity method consist solely of associates and joint ventures.

The amount shown for non-current securities relates primarily to fixed-income securities.

In 2014, impairment charges on companies accounted for under the equity method amounted to €491 million (2013: €468 million). This amount includes €467 million relating to a Brazilian equity investment in the Other Non-EU Countries segment.

The principal causes of these impairments were the investee's operational challenges and the development of its stock price, as well as the company's filing for legal protection from creditors in order to facilitate the reorganization of its capital structure and the elevated financing costs that are associated with such restructuring.

The recoverable amount, which was determined during the year in terms of both value in use and fair value, is of minimal significance as of December 31, 2014, in light of the bankruptcy filing.

In 2013, the same equity investment had been written down by €342 million to a recoverable amount of €472 million due to project delays and technical aspects. The recoverable amount had been determined based on the value in use.

Impairments on other financial assets amounted to €72 million (2013: €84 million). The carrying amount of other financial assets with impairment losses was €337 million as of the end of the fiscal year (2013: €312 million).

€729 million (2013: €666 million) in non-current securities is restricted for the fulfillment of legal insurance obligations of Versorgungskasse Energie ("VKE") (see Note 31).

Shares in Companies Accounted for under the Equity Method

The carrying amounts of the immaterial associates accounted for under the equity method totaled €1,019 million (2013: €1,389 million), and those of the joint ventures totaled €384 million (2013: €682 million).

Investment income generated from companies accounted for under the equity method amounted to €301 million in 2014 (2013: €659 million).

The following table summarizes significant line items of the aggregated statements of comprehensive income of the associates and joint ventures that are accounted for under the equity method:

Summarized Financial Information for Individually Non-Material Associates and Joint Ventures Accounted for under the Equity Method

	Associates		Joint ventures		Total	
€ in millions	2014	2013	2014	2013	2014	2013
Proportional share of net income from continuing operations	136	195	-478	-489	-342	-294
Proportional share of other comprehensive income	-5	-3	10	-89	5	-92
Proportional share of total comprehensive income	**131**	**192**	**-468**	**-578**	**-337**	**-386**

The tables below show significant line items of the aggregated balance sheets and of the aggregated statements of comprehensive income of the material companies accounted for under the equity method. The material associates in the E.ON Group are Nord Stream AG, OAO Severneftegazprom, Gasag Berliner Gaswerke AG, AS Latvijas Gāze, Esperanto Infrastructure II S.à r.l. and Západoslovenská energetika a.s.

The Group adjustments presented are primarily attributable to the goodwill and hidden reserves created in the context of acquisitions, and to adjustments made in line with the accounting policies applicable throughout the E.ON Group.

Material Associates—Balance Sheet Data

	Esperanto Infrastructure II S.à r.l.		Nord Stream AG		OAO Severneftegazprom		Gasag Berliner Gaswerke AG		AS Latvijas Gāze		Západoslovenská energetika a.s.	
€ in millions	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Non-current assets	1,204	1,549	6,502	6,786	1,025	1,588	1,796	1,782	566	569	703	669
Current assets	481	239	664	947	220	423	443	522	242	299	136	152
Current liabilities (incl. provisions)	220	185	508	495	61	207	413	348	111	169	163	187
Non-current liabilities (incl. provisions)	1,192	1,277	5,109	5,280	432	645	1,121	1,178	90	91	739	731
Equity	273	326	1,549	1,958	752	1,159	705	778	607	608	-63	-97
Ownership interest (in %)	49.0	49.0	15.5	15.5	25.0	25.0	36.9	36.9	47.2	47.2	49.0	49.0
Proportional share of equity	134	160	240	303	188	290	260	287	287	287	-31	-48
Consolidation adjustments	37	37	95	58	9	35	56	50	-88	-92	216	216
Carrying amount of equity investment	**171**	**197**	**335**	**361**	**197**	**325**	**316**	**337**	**199**	**195**	**185**	**168**

Material Associates—Earnings Data

	Esperanto Infrastructure II S.à r.l.		Nord Stream AG		OAO Severneftegazprom		Gasag Berliner Gaswerke AG		AS Latvijas Gāze		Západoslovenská energetika a.s.	
€ in millions	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sales	546	868	1,074	868	371	549	1,099	1,300	496	574	1,013	1,037
Net income from continuing operations	-2	119	346	119	67	122	33	61	27	29	87	102
Dividend paid out	18	190	535	190	41	69	57	31	24	29	52	697
Other comprehensive income	-43	234	-219	234	–	–	-39	20	–	–	-1	1
Total comprehensive income	-45	353	127	353	67	122	-6	81	27	29	86	103
Ownership interest (in %)	49.0	49.0	15.5	15.5	25.0	25.0	36.9	36.9	47.2	47.2	49.0	49.0
Proportional share of total comprehensive income after taxes	-22	173	20	55	17	31	-2	30	13	14	42	51
Proportional share of net income after taxes	-1	58	54	18	17	31	12	23	13	14	43	50
Consolidation adjustments	-4	-50	2	-8	-8	8	-5	-4	5	9	-1	-8
Equity-method earnings	**-5**	**8**	**56**	**10**	**9**	**39**	**7**	**19**	**18**	**23**	**42**	**42**

Presented in the tables below are significant line items of the aggregated balance sheets and of the aggregated income statements of the sole joint venture accounted for under the equity method, Enerjisa Enerji A.Ş.:

Material Joint Ventures—Balance Sheet Data

	Enerjisa Enerji A.Ş.	
€ in millions	2014	2013
Non-current assets	7,441	6,762
Current assets	1,138	1,133
Current liabilities (incl. provisions)	1,678	1,762
Non-current liabilities (incl. provisions)	3,923	3,539
Cash and cash equivalents	78	292
Current financial liabilities	979	1,071
Non-current financial liabilities	3,146	2,813
Equity	2,978	2,594
Ownership interest (in %)	50.0	50.0
Proportional share of equity	1,489	1,297
Consolidation adjustments	713	701
Carrying amount of equity investment	**2,202**	**1,998**

Material Joint Ventures—Earnings Data

	Enerjisa Enerji A.Ş.	
€ in millions	2014	2013
Sales	3,880	2,261
Net income from continuing operations	-57	-158
Write-downs (and reversals)	-27	-72
Interest income/expense	-272	-106
Income taxes	-17	-12
Dividend paid out	–	–
Other comprehensive income	3	11
Total comprehensive income	-54	-147
Ownership interest (in %)	50.0	50.0
Proportional share of total comprehensive income after taxes	-27	-73
Proportional share of net income after taxes	-29	-79
Consolidation adjustments	-16	21
Equity-method earnings	**-45**	**-58**

The material associates and joint ventures are active in diverse areas of the gas and electricity industries. Disclosures of company names, registered offices and equity interests as required by IFRS 12 for material joint arrangements and associates can be found in the list of shareholdings pursuant to Section 313 (2) HGB (see Note 36).

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €212 million in 2014 (2013: €778 million). The fair value of E.ON's share in these companies was €227 million (2013: €545 million).

Investments in associates totaling €532 million (2013: €685 million) were restricted because they were pledged as collateral for financing as of the balance sheet date.

There are no further material restrictions apart from those contained in standard legal and contractual provisions.

(16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

Inventories

€ in millions	December 31 2014	2013
Raw materials and supplies	1,821	2,134
Goods purchased for resale	1,432	1,848
Work in progress and finished products	103	165
Total	**3,356**	**4,147**

Raw materials, goods purchased for resale and finished products are generally valued at average cost.

Write-downs totaled €101 million in 2014 (2013: €82 million). Reversals of write-downs amounted to €11 million in 2014 (2013: €11 million).

No inventories have been pledged as collateral.

(17) Receivables and Other Assets

The following table lists receivables and other assets by remaining time to maturity as of the dates indicated:

Receivables and Other Assets

	December 31, 2014		December 31, 2013	
€ in millions	Current	Non-current	Current	Non-current
Receivables from finance leases	43	602	95	630
Other financial receivables and financial assets	1,333	2,931	1,559	2,920
Financial receivables and other financial assets	**1,376**	**3,533**	**1,654**	**3,550**
Trade receivables	11,800	–	14,257	–
Receivables from derivative financial instruments	10,199	3,517	4,154	2,545
Other operating assets	2,312	430	2,663	529
Trade receivables and other operating assets	**24,311**	**3,947**	**21,074**	**3,074**
Total	**25,687**	**7,480**	**22,728**	**6,624**

In 2014, there were unguaranteed residual values of €18 million (2013: €18 million) due to E.ON as lessor under finance leases. Some of the leases contain price-adjustment clauses, as well as extension and purchase options. As of December 31, 2014, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €283 million (2013: €135 million) and margin account deposits for futures trading of €301 million (2013: €445 million). In addition, based on the provisions of IFRIC 5, other financial assets include a claim for a refund from the Swedish Nuclear Waste Fund in the amount of €1,879 million (2013: €1,768 million) in connection with the decommissioning of nuclear power plants and nuclear waste disposal. Since this asset is designated for a particular purpose, E.ON's access to it is restricted.

The aging schedule of trade receivables primarily reflects a €670 million reduction in all receivables brought about by the reclassification of discontinued operations, and is presented in the table below:

Aging Schedule of Trade Receivables

€ in millions	2014	2013
Not impaired and not past-due	10,908	11,949
Not impaired and past-due by	844	1,362
up to 60 days	*681*	*934*
61 to 90 days	*22*	*44*
91 to 180 days	*44*	*96*
181 to 360 days	*32*	*86*
more than 360 days	*65*	*202*
Net value of impaired receivables	48	946
Total trade receivables	**11,800**	**14,257**

The individual impaired receivables are due from a large number of retail customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored within the various units.

Valuation allowances for trade receivables have changed as shown in the following table:

Valuation Allowances for Trade Receivables

€ in millions	2014	2013
Balance as of January 1	**-1,065**	**-881**
Change in scope of consolidation	134	25
Write-downs	-313	-411
Reversals of write-downs	64	81
Disposals	219	119
Other[1]	9	2
Balance as of December 31	**-952**	**-1,065**

[1]"Other" includes also currency translation adjustments.

Receivables from finance leases are primarily the result of certain electricity delivery contracts that must be treated as leases according to IFRIC 4. The nominal and present values of the outstanding lease payments have the following due dates:

E.ON as Lessor—Finance Leases

	Gross investment in finance lease arrangements		Unrealized interest income		Present value of minimum lease payments	
€ in millions	2014	2013	2014	2013	2014	2013
Due within 1 year	104	161	60	62	44	99
Due in 1 to 5 years	381	379	198	202	183	177
Due in more than 5 years	637	713	219	264	418	449
Total	**1,122**	**1,253**	**477**	**528**	**645**	**725**

The present value of the outstanding lease payments is reported under receivables from finance leases.

(18) Liquid Funds

The following table provides a breakdown of liquid funds by original maturity as of the dates indicated:

Liquid Funds

	December 31	
€ in millions	2014	2013
Securities and fixed-term deposits	1,812	2,648
Current securities with an original maturity greater than 3 months	*1,749*	*2,316*
Fixed-term deposits with an original maturity greater than 3 months	*63*	*332*
Restricted cash and cash equivalents	1,064	639
Cash and cash equivalents	3,191	4,527
Total	**6,067**	**7,814**

In 2014, there was €1 million in restricted cash (2013: €3 million) with a maturity greater than three months.

Current securities with an original maturity greater than three months include €265 million (2013: €81 million) in securities held by VKE that are restricted for the fulfillment of legal insurance obligations (see Note 31).

Cash and cash equivalents include €2,434 million (2013: €3,987 million) in checks, cash on hand and balances in Bundesbank accounts and at other financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

(19) Capital Stock

The capital stock is subdivided into 2,001,000,000 registered shares with no par value ("no-par-value shares") and amounts to €2,001,000,000 (2013: €2,001,000,000). The capital stock of the Company was provided by way of conversion of E.ON AG into a European Company ("SE").

Pursuant to a resolution by the Annual Shareholders Meeting of May 3, 2012, the Company is authorized to purchase own shares until May 2, 2017. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of December 31, 2014, was 1,932,736,845 (December 31, 2013: 1,907,808,363). As of December 31, 2014, E.ON SE and one of its subsidiaries held a total of 68.263.155 treasury shares (December 31, 2013: 93,191,637) having a book value of €2,502 million (equivalent to 3.41 percent or €68,263,155 of the capital stock).

As part of the scrip dividend for the 2013 fiscal year, shareholder cash dividend entitlements totaling €305 million were settled through the issue and distribution of 24,008,788 treasury shares. The issue of treasury shares reduced by €964 million the valuation allowance for treasury shares, which is measured at historical cost. Conversely, additional paid-in capital was reduced by €649 million. This amount represents the difference between the historical cost and the subscription price of the shares. The discount of €9 million granted on the current share price is charged to retained earnings.

A total of 919,064 additional treasury shares were used for the employee stock purchase program and distributed to employees in 2014 (2013: 1,057,296 treasury shares used). See also Note 11 for information on the distribution of shares under the employee stock purchase program. A further 630 treasury shares (2013: 672 shares) were also distributed.

The Company has further been authorized by the Annual Shareholders Meeting to buy shares using put or call options, or a combination of both. When derivatives in the form of put or call options, or a combination of both, are used to acquire shares, the option transactions must be conducted at market terms with a financial institution or on the market. No shares were acquired in 2014 using this purchase model.

Authorized Capital

By shareholder resolution adopted at the Annual Shareholders Meeting of May 3, 2012, the Board of Management was authorized, subject to the Supervisory Board's approval, to increase until May 2, 2017, the Company's capital stock by a total of up to €460 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (with the option to restrict shareholders' subscription rights); such increase shall not, however, exceed the amount and number of shares in which the authorized capital pursuant to Section 3 of the Articles of Association of E.ON AG still exists at the point in time when the conversion of E.ON AG into a European company ("SE") becomes effective pursuant to the conversion plan dated March 6, 2012 (authorized capital pursuant to Sections 202 et seq. AktG). Subject to the Supervisory Board's approval, the Board of Management is authorized to exclude shareholders' subscription rights. The authorized capital has not been used.

Conditional Capital

At the Annual Shareholders Meeting of May 3, 2012, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 2, 2017. The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of option or conversion rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, profit participation rights and income bonds that have been issued or guaranteed by E.ON SE or a Group company of E.ON SE as defined by Section 18 AktG, and to the extent that no cash settlement has been granted in lieu of conversion and no E.ON SE treasury shares or shares of another listed company have been used to service the rights. However, this conditional capital increase only applies up to the amount and number of shares in which the conditional capital pursuant to Section 3 of the Articles of Association of E.ON AG has not yet been implemented at the point in time when the conversion of E.ON AG into a European company ("SE") becomes effective in accordance with the conversion plan dated March 6, 2012. The conditional capital has not been used.

Voting Rights

The following notices pursuant to Section 21 (1) of the German Securities Trading Act ("WpHG") concerning changes in voting rights have been received:

Information on Stockholders of E.ON SE

Stockholder	Date of notice	Threshold exceeded	Gained voting rights on	Allocation	Voting rights: Percentages	Voting rights: Absolute
BlackRock Inc. New York, U.S.	Dec. 24, 2014	5%	Dec. 22, 2014	indirect	6.53	130,752,304

(20) Additional Paid-in Capital

Additional paid-in capital declined by €656 million during 2014, to €13,077 million (2013: €13,733 million). The reduction of additional paid-in capital is primarily due to the issue of treasury shares as part of the scrip dividend. Additional paid-in capital was reduced by €649 million in this context. This amount represents the difference between the historical cost and the subscription price of the shares. The change further includes the loss realized on the sale of shares distributed to eligible employees of the E.ON Group under the employee stock purchase program.

(21) Retained Earnings

The following table breaks down the E.ON Group's retained earnings as of the dates indicated:

Retained Earnings	December 31	
€ in millions	2014	2013
Legal reserves	45	45
Other retained earnings	16,797	23,261
Total	**16,842**	**23,306**

Under German securities law, E.ON SE shareholders may receive distributions from the balance sheet profit of E.ON SE reported as available for distribution in accordance with the German Commercial Code.

As of December 31, 2014, these German-GAAP retained earnings totaled €6,540 million (2013: €5,776 million). Of this amount, legal reserves of €45 million (2013: €45 million) are restricted pursuant to Section 150 (3) and (4) AktG.

In order to fulfill retirement benefit obligations, funds have been invested as restricted, bankruptcy-remote assets in fund units administered in trust by E.ON Pension Trust e.V. and by Pensionsabwicklungstrust e.V., both registered in Düsseldorf, Germany. In accordance with Section 253 (1) HGB, these investments are measured at fair value, which stood at €194 million as of the balance sheet date and exceeded by €8 million their cost of €186 million. The €8 million difference is fully attributable to increases in value. Taking into account deferred tax assets and liabilities, the resulting overall difference was €8 million. This surplus is fully covered by a sufficient amount of available reserves. Accordingly, there is no restriction preventing payment of the proposed dividend distribution of €966 million for 2015.

Accordingly, the amount of retained earnings available for distribution in principle is €6,487 million (2013: €5,731 million).

A proposal to distribute a cash dividend for 2014 of €0.50 per share will be submitted to the Annual Shareholders Meeting. For 2013, shareholders at the April 30, 2014, Annual Shareholders Meeting voted to distribute a dividend of €0.60 for each dividend-paying ordinary share. Based on a €0.50 dividend, the total profit distribution is €966 million (2013: €1,145 million).

In 2014, shareholders could for the first time choose between having their cash dividend entitlement settled entirely in cash and converting part of it into E.ON shares. Accounting for a participation rate of roughly 37 percent, 24,008,788 treasury shares were issued for distribution. This reduced the cash distribution to €840 million.

(22) Changes in Other Comprehensive Income

The table at right illustrates the share of OCI attributable to companies accounted for under the equity method:

Share of OCI Attributable to Companies Accounted for under the Equity Method		
€ in millions	2014	2013
Balance as of December 31 (before taxes)	**-725**	**-672**
Taxes	4	1
Balance as of December 31 (after taxes)	**-721**	**-671**

(23) Non-Controlling Interests

Non-controlling interests by segment as of the dates indicated are shown in the following table.

Non-Controlling Interests

€ in millions	December 31 2014	2013
Generation	-29	308
Renewables	196	194
Global Commodities	–	–
Exploration & Production	1	1
Germany	1,096	1,176
Other EU Countries	427	505
Russia	220	542
Group Management/Consolidation	217	189
Total	**2,128**	**2,915**

The decrease in non-controlling interests in 2014 resulted primarily from an impairment charge in Sweden in the Generation global unit, from disposals in the Czechia regional unit (City of Prague Municipal Utility) and from changes in exchange rates in the Russia region.

The table below illustrates the share of OCI that is attributable to non-controlling interests.

Share of OCI Attributable to Non-Controlling Interests

€ in millions	Cash flow hedges	Available-for-sale securities	Currency translation adjustments	Remeasurements of defined benefit plans
Balance as of January 1, 2013	**–**	**34**	**-178**	**-129**
Changes	2	-12	-116	77
Balance as of December 31, 2013	**2**	**22**	**-294**	**-52**
Changes	2	4	-296	-186
Balance as of December 31, 2014	**4**	**26**	**-590**	**-238**

Subsidiaries with material non-controlling interests are active in diverse areas of the gas and electricity industries. Disclosures of company names, registered offices and equity interests as required by IFRS 12 for subsidiaries with material non-controlling interests can be found in the list of shareholdings pursuant to Section 313 (2) HGB (see Note 36).

The following tables provide a summary overview of cash flow and significant line items of the aggregated income statements and of the aggregated balance sheets of subsidiaries with material non-controlling interests.

Subsidiaries with Material Non-Controlling Interests—Balance Sheet Data

	E.ON România Group		E.ON Russia Group		Avacon Group	
€ in millions	2014	2013	2014	2013	2014	2013
Non-controlling interests in equity	359	323	220	542	604	571
Non-controlling interests in equity (in %)[1]	9.8	9.8	16.3	16.3	36.9	36.7
Dividends paid out to non-controlling interests	–	28	76	70	63	54
Operating cash flow	118	206	477	617	340	47
Non-current assets	888	825	3,191	4,798	2,822	2,467
Current assets	562	546	324	868	658	738
Non-current liabilities	209	218	271	422	1,495	1,152
Current liabilities	348	396	94	122	831	632

[1]Non-controlling interests in the lead company of the respective group.

Subsidiaries with Material Non-Controlling Interests—Earnings Data

	E.ON România Group		E.ON Russia Group		Avacon Group	
€ in millions	2014	2013	2014	2013	2014	2013
Share of earnings attributable to non-controlling interests	55	65	58	38	120	79
Sales	1,168	1,127	1,518	1,865	3,144	3,110
Net income	121	108	355	232	306	190
Comprehensive income	126	103	-1,509	-405	302	188

There are no major restrictions beyond those under customary corporate or contractual provisions. Foreign-exchange transactions out of the Russian Federation may be restricted in certain cases.

(24) Provisions for Pensions and Similar Obligations

The retirement benefit obligations toward the active and former employees of the E.ON Group, which amounted to €18.9 billion, were covered by plan assets having a fair value of €13.4 billion as of December 31, 2014. This corresponds to a funded status of 71 percent.

In addition to the reported plan assets, VKE, which is included in the Consolidated Financial Statements, administers another fund holding assets of €1.0 billion (2013: €0.8 billion) that do not constitute plan assets under IAS 19 but which are mostly intended for the coverage of retirement benefit obligations at E.ON Group companies in Germany (see Note 31).

The present value of the defined benefit obligations, the fair value of plan assets and the net defined benefit liability (funded status) are presented in the following table for the dates indicated:

Provisions for Pensions and Similar Obligations

€ in millions	December 31 2014	2013	2012
Present value of all defined benefit obligations			
Germany	12,799	9,574	11,192
United Kingdom	5,920	4,926	4,903
Other countries	230	679	729
Total	**18,949**	**15,179**	**16,824**
Fair value of plan assets			
Germany	8,033	6,789	6,769
United Kingdom	5,296	4,596	4,702
Other countries	46	376	410
Total	**13,375**	**11,761**	**11,881**
Net defined benefit liability/asset (-)			
Germany	4,766	2,785	4,423
United Kingdom	624	330	201
Other countries	184	303	319
Total	**5,574**	**3,418**	**4,943**
Presented as operating receivables	*–*	*–*	*-2*
Presented as provisions for pensions and similar obligations	*5,574*	*3,418*	*4,945*

Description of the Benefit Plans

In addition to their entitlements under government retirement systems and the income from private retirement planning, most active and former E.ON Group employees are also covered by occupational benefit plans. Both defined benefit plans and defined contribution plans are in place at E.ON. Benefits under defined benefit plans are generally paid upon reaching retirement age, or in the event of disability or death.

E.ON regularly reviews the pension plans in place within the Group for financial risks. Typical risk factors for defined benefit plans are longevity and changes in nominal interest rates, as well as inflation and rising wages and salaries. In order to avoid exposure to future risks from occupational benefit plans, newly designed pension plans were introduced at the major German and foreign E.ON Group companies beginning in 1998. Virtually all employees hired at E.ON Group companies after 1998 are now covered by benefit plans for which the risk factors can be better calculated and controlled as presented below.

The existing entitlements under defined benefit plans as of the balance sheet date cover about 54,000 retirees and their beneficiaries (2013: 56,000), about 15,000 former employees with vested entitlements (2013: 14,000) and about 42,000 active employees (2013: 47,000. Aside from normal employee turnover, the changes from the previous year resulted especially from restructuring programs and from the reclassification of companies and their staff to discontinued operations (see Note 4). The corresponding present value of the defined benefit obligations is attributable to retirees and their beneficiaries in the amount of €10.4 billion (2013: €9.1 billion), to former employees with vested entitlements in the amount of €2.6 billion (2013: €1.6 billion) and to active employees in the amount of €5.9 billion (2013: €4.5 billion).

The features and risks of defined benefit plans are regularly shaped by the general legal, tax and regulatory conditions prevailing in the respective country. The configurations of the major defined benefit and defined contribution plans within the E.ON Group are described in the following discussion.

Germany

Active employees at the German Group companies are predominantly covered by cash balance plans. In addition, some final-pay arrangements, and a small number of fixed-amount arrangements, still exist under individual contracts.

The majority of the reported benefit obligation toward active employees is centered on the "BAS Plan," a pension unit system launched in 2001, and on a "provision for the future" ("Zukunftssicherung") plan, a variant of the BAS Plan that emerged from the harmonization in 2004 of numerous benefit plans granted in the past. In the Zukunftssicherung benefit plan, vested final-pay entitlements are considered in addition to the defined contribution pension units when determining the benefit. These plans are closed to new hires.

The plans described in the preceding paragraph generally provide for ongoing pension benefits that generally are payable upon reaching the age threshold, or in the event of disability or death.

The only benefit plan open to new hires is the E.ON IQ contribution plan (the "IQ Plan"). This plan is a "units of capital" system that provides for the alternative payout options of a prorated single payment and payments of installments in addition to the payment of a regular pension.

The benefit expense for all the cash balance plans mentioned above is dependent on compensation and is determined at different percentage rates based on the ratio between compensation and the contribution limit in the statutory retirement pension system in Germany. Employees can additionally choose to defer compensation. The cash balance plans contain different interest rate assumptions for the pension units. Whereas fixed interest rate assumptions apply for both the BAS Plan and the Zukunftssicherung plan, the units of capital for the open IQ Plan earn interest at the average yield of long-term government bonds of the Federal Republic of Germany observed in the fiscal year. Future pension increases at a rate of 1 percent are guaranteed for a large number of active employees. For the remaining eligible individuals, pensions are adjusted mostly in line with the rate of inflation, usually in a three-year cycle.

To fund the pension plans for the German Group companies, plan assets were established in the form of a Contractual Trust Arrangement ("CTA"). The major part of these plan assets is administered by E.ON Pension Trust e.V. as trustee in accordance with specified investment principles. Additional domestic plan assets are managed by smaller German pension funds. The long-term investments and liquid funds administered by VKE do not constitute plan assets under IAS 19, but are almost exclusively intended for the coverage of benefit obligations at German E.ON Group companies.

Only at the pension funds and at VKE do regulatory provisions exist in relation to capital investment or funding requirements.

United Kingdom

In the United Kingdom, there are various pension plans. Until 2005 and 2008, respectively, employees were covered by defined benefit plans, which for the most part were final-pay plans and make up the majority of the pension obligations currently reported for the United Kingdom. These plans were closed to employees hired after these dates. Since then, new hires are offered a defined contribution plan. Aside from the payment of contributions, this plan entails no additional actuarial risks for the employer.

Benefit payments to the beneficiaries of the currently existing defined benefit pension plans are adjusted for inflation as measured by the U.K. Retail Price Index ("RPI").

Plan assets in the United Kingdom are administered in a pension trust. The trustees are selected by the members of the plan or appointed by the entity. In that capacity, the trustees are particularly responsible for the investment of the plan assets.

The Pensions Regulator in the United Kingdom requires that a so-called "technical valuation" of the plan's funding conditions be performed every three years. The actuarial assumptions underlying the valuation are agreed upon by the trustees and E.ON UK plc. They include presumed life expectancy, wage and salary growth rates, investment returns, inflationary assumptions and interest rate levels. The most recent technical valuation took place as of March 31, 2010, and resulted in a technical funding deficit of £446 million. The agreed deficit repair plan provides for annual payments of £34 million to the pension trust. A revaluation of the technical funded status was performed as of March 31, 2013; it is not yet complete as of the balance sheet date.

Other Countries

The remaining pension obligations are spread across various international activities of the E.ON Group.

However, these benefit plans in Belgium, France, Russia, Sweden, Norway, Romania, the Czech Republic and the United States are of minor significance from a Group perspective.

Description of the Benefit Obligation

The following table shows the changes in the present value of the defined benefit obligations for the periods indicated:

Changes in the Defined Benefit Obligation

	2014				2013			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Defined benefit obligation as of January 1	**15,179**	**9,574**	**4,926**	**679**	**16,824**	**11,192**	**4,903**	**729**
Employer service cost	253	182	59	12	276	204	58	14
Past service cost	30	23	12	-5	80	44	29	7
Gains (-) and losses (+) on settlements	-1	–	–	-1	–	–	–	–
Interest cost on the present value of the defined benefit obligations	607	365	231	11	589	362	204	23
Remeasurements	3,733	3,099	567	67	-665	-702	87	-50
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	*-14*	–	*-15*	*1*	*40*	–	*39*	*1*
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	*3,794*	*3,143*	*579*	*72*	*-721*	*-784*	*90*	*-27*
Actuarial gains (-)/losses (+) arising from experience adjustments	*-47*	*-44*	*3*	*-6*	*16*	*82*	*-42*	*-24*
Employee contributions	1	–	1	–	1	–	1	–
Benefit payments	-708	-444	-244	-20	-753	-463	-252	-38
Changes in scope of consolidation	2	2	–	–	-1,059	-1,059	–	–
Exchange rate differences	360	–	368	-8	-107	–	-101	-6
Other	-507	-2	–	-505	-7	-4	-3	–
Defined benefit obligation as of December 31	**18,949**	**12,799**	**5,920**	**230**	**15,179**	**9,574**	**4,926**	**679**

The benefit obligations in the other countries relate mostly to the benefit plans at the E.ON Group companies in France (2014: €134 million; 2013: €97 million).

The net actuarial losses generated in 2014 are largely attributable to a general decrease in the discount rates used within the E.ON Group. This decrease was partly offset by the lowering of the pension increase rate in Germany that applies to E.ON in the absence of an agreed guarantee adjustment, and the reduction of the wage and salary growth rates and pension increase rates used by the Group companies in the United Kingdom as the basis for measuring the benefit obligation as of December 31, 2014.

The change in the present value of the defined benefit obligations in the other countries is primarily the result of the reclassification of the present value of defined benefit obligations of Spanish companies to the "Liabilities associated with assets held for sale" line item on the balance sheet (see Note 4).

The actuarial assumptions used to measure the defined benefit obligations and to compute the net periodic pension cost at E.ON's German and U.K. subsidiaries as of the respective balance sheet date are as follows:

Actuarial Assumptions

	December 31		
Percentages	2014	2013	2012
Discount rate			
Germany	2.00	3.90	3.40
United Kingdom	3.70	4.60	4.40
Wage and salary growth rate			
Germany	2.50	2.50	2.50
United Kingdom	3.10	3.40	3.40
Pension increase rate			
Germany[1]	1.75	2.00	2.00
United Kingdom	2.90	3.10	2.70

[1]The pension increase rate for Germany applies to eligible individuals not subject to an agreed guarantee adjustment.

The discount rate assumptions used by E.ON basically reflect the currency-specific rates available at the end of the respective fiscal year for high-quality corporate bonds with a duration corresponding to the average period to maturity of the respective obligation.

To measure the E.ON Group's occupational pension obligations for accounting purposes, the Company has employed the current versions of the biometric tables recognized in each respective country for the calculation of pension obligations:

Actuarial Assumptions (Mortality Tables)

Germany	2005 G versions of the Klaus Heubeck biometric tables (2005)
United Kingdom	CMI "00" and "S1" series base mortality tables 2014, taking into account future changes in mortality

Changes in the actuarial assumptions described previously would lead to the following changes in the present value of the defined benefit obligations:

Sensitivities

	Change in the present value of the defined benefit obligations			
	December 31, 2014		December 31, 2013	
Change in the discount rate by (basis points)	+50	-50	+50	-50
Change in percent	*-7.85*	*8.96*	*-6.88*	*7.66*
Change in the wage and salary growth rate by (basis points)	+25	-25	+25	-25
Change in percent	*0.47*	*-0.46*	*0.47*	*-0.46*
Change in the pension increase rate by (basis points)	+25	-25	+25	-25
Change in percent	*1.86*	*-1.79*	*1.78*	*-1.70*
Change in mortality by (percent)	+10	-10	+10	-10
Change in percent	*-2.96*	*3.32*	*-2.44*	*2.70*

A 10-percent decrease in mortality would result in a higher life expectancy of beneficiaries, depending on the age of each individual beneficiary. As of December 31, 2014, the life expectancy of a 63-year-old male E.ON retiree would increase by approximately one year if mortality were to decrease by 10 percent.

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged.

When considering sensitivities, it must be noted that the change in the present value of the defined benefit obligations resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

Description of Plan Assets and the Investment Policy

The defined benefit plans are funded by plan assets held in specially created pension vehicles that legally are distinct from the Company. The fair value of these plan assets changed as follows:

Changes in the Fair Value of Plan Assets

€ in millions	2014 Total	2014 Germany	2014 United Kingdom	2014 Other countries	2013 Total	2013 Germany	2013 United Kingdom	2013 Other countries
Fair value of plan assets as of January 1	**11,761**	**6,789**	**4,596**	**376**	**11,881**	**6,769**	**4,702**	**410**
Interest income on plan assets	514	294	217	3	440	230	198	12
Remeasurements	480	185	282	13	-161	-29	-108	-24
Return on plan assets recognized in equity, not including amounts contained in the interest income on plan assets	*480*	*185*	*282*	*13*	*-161*	*-29*	*-108*	*-24*
Employee contributions	1	–	1	–	1	–	1	–
Employer contributions	1,296	1,182	108	6	1,083	921	157	5
Benefit payments	-668	-417	-244	-7	-724	-447	-252	-25
Changes in scope of consolidation	–	–	–	–	-655	-655	–	–
Exchange rate differences	334	–	336	-2	-101	–	-99	-2
Other	-343	–	–	-343	-3	–	-3	–
Fair value of plan assets as of December 31	**13,375**	**8,033**	**5,296**	**46**	**11,761**	**6,789**	**4,596**	**376**

The changes in the fair value of plan assets in the other countries is primarily the result of the reclassification of the fair value of the plan assets of Spanish companies to the "Liabilities associated with assets held for sale" line item on the balance sheet (see Note 4).

The actual return on plan assets was a gain of €994 million in 2014 (2013: €279 million).

A small portion of the plan assets consists of financial instruments of E.ON (2014: €0.4 billion; 2013: €0.4 billion). Because of the contractual structure, however, these instruments do not constitute an E.ON-specific risk to the CTA in Germany. The plan assets further include virtually no owner-occupied real estate and no equity or debt instruments issued by E.ON Group companies. Each of the individual plan asset components has been allocated to an asset class based on its substance. The plan assets thus classified break down as shown in the following table:

Classification of Plan Assets

Percentages	December 31, 2014 Total	Germany	United Kingdom	Other countries	December 31, 2013 Total	Germany	United Kingdom	Other countries
Plan assets listed in an active market								
Equity securities (stocks)	21	25	14	1	16	19	12	2
Debt securities[1]	55	46	67	48	51	49	58	3
Government bonds	*37*	*24*	*58*	*2*	*32*	*21*	*50*	–
Corporate bonds	*13*	*15*	*9*	*46*	*14*	*18*	*8*	*3*
Other investment funds	9	5	16	–	11	5	21	–
Total listed plan assets	**85**	**76**	**97**	**49**	**78**	**73**	**91**	**5**
Plan assets not listed in an active market								
Equity securities not traded on an exchange	3	6	–	–	2	4	–	–
Debt securities	2	4	–	–	3	5	–	–
Real estate	6	9	1	–	8	11	5	–
Qualifying insurance policies	–	–	–	29	3	–	–	92
Cash and cash equivalents	4	5	2	–	5	6	4	–
Other	–	–	–	22	1	1	–	3
Total unlisted plan assets	**15**	**24**	**3**	**51**	**22**	**27**	**9**	**95**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[1]In Germany, 7 percent (2013: 10 percent) of plan assets are invested in other debt securities, in particular mortgage bonds ("Pfandbriefe"), in addition to government and corporate bonds.

The fundamental investment objective for the plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding benefit plans. This investment policy stems from the corresponding governance guidelines of the Group. A deterioration of the net defined benefit liability or the funded status following an unfavorable development in plan assets or in the present value of the defined benefit obligations is identified in these guidelines as a risk that is controlled as part of a risk-budgeting concept. E.ON therefore regularly reviews the development of the funded status in order to monitor this risk.

To implement the investment objective, the E.ON Group primarily pursues an investment approach that takes into account the structure of the benefit obligations. This long-term investment strategy seeks to manage the funded status, with the result that any changes in the defined benefit obligation, especially those caused by fluctuating inflation and interest rates are, to a certain degree, offset by simultaneous corresponding changes in the fair value of plan assets. The investment strategy may also involve the use of derivatives (for example, interest rate swaps and inflation swaps, as well as currency hedging instruments) to facilitate the control of specific risk factors of pension liabilities. In the table above, derivatives have been allocated, based on their substance, to the respective asset classes in which they are used. In order to improve the funded status of the E.ON Group as a whole, a portion of the plan assets will also be invested in a diversified portfolio of asset classes that are expected to provide for long-term returns in excess of those of fixed-income investments and thus in excess of the discount rate.

The determination of the target portfolio structure for the individual plan assets is based on regular asset-liability studies. In these studies, the target portfolio structure is reviewed in a comprehensive approach against the backdrop of existing investment principles, the current funded status, the condition of the capital markets and the structure of the benefit obligations, and is adjusted as necessary. The parameters used in the studies are additionally reviewed regularly, at least once each year. Asset managers are tasked with implementing the target portfolio structure. They are monitored for target achievement on a regular basis.

Description of the Pension Cost

The net periodic pension cost for defined benefit plans included in the provisions for pensions and similar obligations is shown in the table below:

Net Periodic Pension Cost

	2014				2013			
€ in millions	Total	Germany	United Kingdom	Other countries	Total	Germany	United Kingdom	Other countries
Employer service cost	253	182	59	12	273	204	58	11
Past service cost	30	23	12	-5	80	44	29	7
Gains (-) and losses (+) on settlements	-1	–	–	-1	–	–	–	–
Net interest on the net defined benefit liability/asset	93	71	14	8	146	132	6	8
Total	**375**	**276**	**85**	**14**	**499**	**380**	**93**	**26**

Net periodic pension cost in the amount of €6 million was reclassified to net income from discontinued operations for 2013.

The past service cost for 2014 and 2013 consists mostly of the expenses incurred in the context of restructuring measures.

In addition to the total net periodic pension cost for defined benefit plans, an amount of €79 million in fixed contributions to external insurers or similar institutions was paid in 2014 (2013: €71 million) for pure defined contribution plans.

Contributions to state plans totaled €0.3 billion (2013: €0.3 billion).

Description of Contributions and Benefit Payments

In 2014, E.ON made employer contributions to plan assets totaling €1,296 million (2013: €1,083 million) to fund existing defined benefit obligations.

For 2014, it is expected that overall employer contributions to plan assets will amount to a total of €475 million and primarily involve the funding of new and existing benefit obligations, with an amount of €180 million attributable to foreign companies.

Benefit payments to cover defined benefit obligations totaled €708 million in 2014 (2013: €753 million); of this amount, €40 million (2013: €29 million) was not paid out of plan assets.

Prospective benefit payments under the defined benefit plans existing as of December 31, 2014, for the next ten years are shown in the following table:

Prospective Benefit Payments

€ in millions	Total	Germany	United Kingdom	Other countries
2015	724	456	253	15
2016	742	474	256	12
2017	754	479	262	13
2018	770	488	270	12
2019	788	503	272	13
2020–2024	4,224	2,701	1,456	67
Total	**8,002**	**5,101**	**2,769**	**132**

The weighted-average duration of the defined benefit obligations measured within the E.ON Group was 20.1 years as of December 31, 2014 (2013: 19.2 years).

Description of the Net Defined Benefit Liability

The recognized net liability from the E.ON Group's defined benefit plans results from the difference between the present value of the defined benefit obligations and the fair value of plan assets:

Changes in the Net Defined Benefit Liability

€ in millions	2014 Total	2014 Germany	2014 United Kingdom	2014 Other countries	2013 Total	2013 Germany	2013 United Kingdom	2013 Other countries
Net liability as of January 1	**3,418**	**2,785**	**330**	**303**	**4,943**	**4,423**	**201**	**319**
Net periodic pension cost	375	276	85	14	505	380	93	32
Changes from remeasurements	3,253	2,914	285	54	-504	-673	195	-26
Employer contributions to plan assets	-1,296	-1,182	-108	-6	-1,083	-921	-157	-5
Net benefit payments	-40	-27	–	-13	-29	-16	–	-13
Changes in scope of consolidation	2	2	–	–	-404	-404	–	–
Exchange rate differences	26	–	32	-6	-6	–	-2	-4
Other	-164	-2	–	-162	-4	-4	–	–
Net liability as of December 31	**5,574**	**4,766**	**624**	**184**	**3,418**	**2,785**	**330**	**303**

(25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

Miscellaneous Provisions

€ in millions	December 31, 2014 Current	December 31, 2014 Non-current	December 31, 2013 Current	December 31, 2013 Non-current
Non-contractual nuclear waste management obligations	155	10,977	108	10,300
Contractual nuclear waste management obligations	475	7,162	511	7,218
Personnel obligations	305	1,254	296	1,222
Other asset retirement obligations	41	2,105	155	1,765
Supplier-related obligations	554	208	201	377
Customer-related obligations	381	208	334	185
Environmental remediation and similar obligations	75	796	87	784
Other	2,134	3,092	2,661	2,884
Total	**4,120**	**25,802**	**4,353**	**24,735**

The changes in the miscellaneous provisions are shown in the table below:

Changes in Miscellaneous Provisions

€ in millions	Jan. 1, 2014	Exchange rate differ-ences	Changes in scope of consoli-dation	Accretion	Additions	Utiliza-tion	Reclassifi-cations	Reversals	Changes in estimates	Dec. 31, 2014
Non-contractual nuclear waste management obligations	10,408	-67	–	477	15	-59	-16	–	374	11,132
Contractual nuclear waste management obligations	7,729	-64	–	351	59	-480	16	–	26	7,637
Personnel obligations	1,518	–	-55	96	396	-334	4	-66	–	1,559
Other asset retirement obligations	1,920	28	-257	54	170	-42	-6	-1	280	2,146
Supplier-related obligations	578	-1	–	3	499	-253	28	-92	–	762
Customer-related obligations	519	1	-8	2	188	-55	-8	-50	–	589
Environmental remedia-tion and similar obligations	871	-1	-1	18	83	-45	-3	-51	–	871
Other	5,545	33	-268	86	2,021	-1,495	17	-713	–	5,226
Total	**29,088**	**-71**	**-589**	**1,087**	**3,431**	**-2,763**	**32**	**-973**	**680**	**29,922**

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9).

As of December 31, 2014, the interest rates applied for the nuclear power segment, calculated on a country-specific basis, were 4.7 percent (2013: 4.8 percent) in Germany and 3.0 percent (2013: 3.0 percent) in Sweden. The other provision items relate almost entirely to issues in countries of the euro area, as well as in the U.K. and Sweden. The interest rates used with regard to these issues ranged from 0 percent to 2.6 percent, depending on maturity (2013: 0.4 percent to 4.0 percent).

Provisions for Non-Contractual Nuclear Waste Management Obligations

Of the total of €11.1 billion in provisions based on German and Swedish nuclear power legislation, €10.0 billion is attributable to the operations in Germany and €1.1 billion is attributable to the Swedish operations. The provisions comprise all those nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are determined on the basis of external studies and cost estimates.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

The asset retirement obligations recognized for non-contractual nuclear obligations include the anticipated costs of post- and service operation of the facility, dismantling costs, and the cost of removal and disposal of the nuclear components of the nuclear power plant.

Additionally included in the disposal of spent nuclear fuel rods are costs for transports to the final storage facility and the cost of proper conditioning prior to final storage, including the necessary containers.

The decommissioning costs and the cost of disposal of spent nuclear fuel rods and low-level nuclear waste also include in each case the actual final storage costs. Final storage costs consist particularly of the expected investment, operating and decommissioning costs for the final storage projects Gorleben and Konrad and are based on data from the German Federal Office for Radiation Protection and on Germany's ordinance on advance payments for the establishment of facilities for the safe custody and final storage of radioactive wastes in the country ("Endlagervorausleistungsverordnung"); additional costs arise from the German legislation governing the selection of a repository site for high-level radioactive waste ("Standortauswahlgesetz" or "StandAG"), which took effect in the third quarter of 2013. Advance payments remitted to the Federal Office for Radiation Protection and the Federal Office for the Regulation of Nuclear Waste Management in the amount of €1,125 million (2013: €1,066 million) have been deducted from the provisions. These payments are made each year based on the amount spent by the two aforementioned Federal Offices.

The cost estimates used to determine the provision amounts are all based on studies performed by external specialists and are updated annually. The amendments to the German Nuclear Energy Act of August 6, 2011, were taken into account in the measurement of the provisions in Germany.

Changes in estimates increased provisions in 2014 by €374 million (2013: provisions reduced by €563 million) at the German operations. Provisions were utilized in the amount of €59 million (2013: €54 million), of which €24 million (2013: €23 million) relates to nuclear power plants that are being dismantled or are in shutdown mode, on the basis of issues for which retirement and decommissioning costs had been capitalized. As in 2013, there were no changes in estimates affecting provisions at the Swedish operations in 2014, and no provisions were utilized.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Non-Contractual Nuclear Waste Management Obligations

	December 31, 2014		December 31, 2013	
€ in millions	Germany	Sweden	Germany	Sweden
Decommissioning	8,393	408	7,806	420
Disposal of nuclear fuel rods and operational waste	2,721	735	2,492	756
Advance payments	1,125	-	1,066	-
Total	**9,989**	**1,143**	**9,232**	**1,176**

Provisions for Contractual Nuclear Waste Management Obligations

Of the total of €7.6 billion in provisions based on German and Swedish nuclear power legislation, €6.6 billion is attributable to the operations in Germany and €1.0 billion is attributable to the Swedish operations. The provisions comprise all those contractual nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are measured at amounts firmly specified in legally binding civil agreements.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

Advance payments made to other waste management companies in the amount of €161 million (2013: €143 million) have been deducted from the provisions attributed to Germany. The advance payments relate to the delivery of interim storage containers.

Concerning the disposal of spent nuclear fuel rods, the obligations recognized in the provisions comprise the contractual costs of finalizing reprocessing and the associated return of waste with subsequent interim storage at Gorleben and Ahaus, as well as costs incurred for interim on-site storage, including the necessary interim storage containers, arising from the "direct permanent storage" path. The provisions also include the contractual costs of decommissioning and the conditioning of low-level radioactive waste.

Changes in estimates increased provisions in 2014 by €6 million (2013: €780 million) at the German operations. Provisions were utilized in the amount of €419 million (2013: €331 million), of which €287 million (2013: €137 million) relates to nuclear power plants that are being dismantled or are in shutdown mode, on the basis of issues for which retirement and decommissioning costs had been capitalized. The Swedish operations recorded an increase in provisions of €20 million (2013: €195 million) resulting from changes in estimates. Provisions were utilized in the amount of €61 million (2013: €77 million), of which €39 million (2013: €31 million) is attributable to the Barsebäck nuclear power plant, which is in post-operation. Retirement and decommissioning costs had already been capitalized for the underlying issues.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Contractual Nuclear Waste Management Obligations

	December 31, 2014		December 31, 2013	
€ in millions	Germany	Sweden	Germany	Sweden
Decommissioning	3,425	369	3,465	393
Disposal of nuclear fuel rods and operational waste	3,314	690	3,286	728
Advance payments	161	-	143	-
Total	**6,578**	**1,059**	**6,608**	**1,121**

Personnel Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations, restructuring and other deferred personnel costs.

Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, that are based on legally binding civil agreements and public regulations. Also reported here are provisions for environmental improvements at gas storage facilities, for the dismantling of installed infrastructure and for environmental-improvement obligations in the Exploration & Production segment.

Supplier-Related Obligations

Provisions for supplier-related obligations consist of provisions for potential losses on open purchase contracts, among others.

Customer-Related Obligations

Provisions for customer-related obligations consist primarily of potential losses on rebates and on open sales contracts.

Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment and water protection measures and to the rehabilitation of contaminated sites. Also included here are provisions for other environmental improvement measures and for land reclamation obligations at mining sites.

Other

The other miscellaneous provisions consist primarily of provisions from the electricity and gas business. Further included here are provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes.

(26) Liabilities

The following table provides a breakdown of liabilities:

Liabilities	December 31, 2014			December 31, 2013		
€ in millions	Current	Non-current	Total	Current	Non-current	Total
Financial liabilities	**3,883**	**15,784**	**19,667**	**4,673**	**18,051**	**22,724**
Trade payables	2,185	–	2,185	2,485	–	2,485
Capital expenditure grants	15	366	381	39	412	451
Construction grants from energy consumers	217	1,856	2,073	218	2,116	2,334
Liabilities from derivatives	9,908	3,868	13,776	4,337	2,445	6,782
Advance payments	245	252	497	296	290	586
Other operating liabilities	12,045	1,462	13,507	14,082	1,491	15,573
Trade payables and other operating liabilities	**24,615**	**7,804**	**32,419**	**21,457**	**6,754**	**28,211**
Total	**28,498**	**23,588**	**52,086**	**26,130**	**24,805**	**50,935**

Financial Liabilities

The following is a description of the E.ON Group's significant credit arrangements and debt issuance programs. Included under "Bonds" are the bonds currently outstanding, including those issued under the Debt Issuance Program.

Group Management

Covenants

The financing activities of E.ON SE, E.ON International Finance B.V. ("EIF"), Rotterdam, The Netherlands, and E.ON Beteiligungen GmbH involve the use of covenants consisting primarily of change-of-control clauses, negative pledges, pari-passu clauses and cross-default clauses, each referring to a restricted set of significant circumstances. Financial covenants (that is, covenants linked to financial ratios) are not employed.

€35 Billion Debt Issuance Program

E.ON SE and EIF have in place a Debt Issuance Program enabling the issuance from time to time of debt instruments through public and private placements to investors. The total amount available under the program is €35 billion. The program was extended in April 2014 for another year as planned.

At year-end 2014, the following EIF bonds were outstanding:

Major Bond Issues of E.ON International Finance B.V.[1]

Volume in the respective currency	Initial term	Repayment	Coupon
EUR 1,118 million[2]	7 years	Sep 2015	5.250%
EUR 1,238 million[3]	7 years	Jan 2016	5.500%
EUR 900 million	15 years	May 2017	6.375%
EUR 1,769 million[4]	10 years	Oct 2017	5.500%
USD 2,000 million[5]	10 years	Apr 2018	5.800%
GBP 850 million[6]	12 years	Oct 2019	6.000%
EUR 1,400 million[7]	12 years	May 2020	5.750%
GBP 975 million[8]	30 years	June 2032	6.375%
GBP 900 million	30 years	Oct 2037	5.875%
USD 1,000 million[5]	30 years	Apr 2038	6.650%
GBP 700 million	30 years	Jan 2039	6.750%

[1]Listing: All bonds are listed in Luxembourg with the exception of the two Rule 144A/Regulation S USD bonds, which are unlisted.
[2]After early redemption, the volume of this issue was lowered from originally EUR 1,250 million to approx. EUR 1,118 million.
[3]After early redemption, the volume of this issue was lowered from originally EUR 1,500 million to approx. EUR 1,238 million.
[4]After early redemption, the volume of this issue was lowered from originally EUR 2,375 million to approx. EUR 1,769 million.
[5]Rule 144A/Regulation S bond.
[6]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[7]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[8]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2014, were private placements with a total volume of approximately €0.9 billion (2013: €1.2 billion), as well as promissory notes with a total volume of approximately €0.6 billion (2013: €0.7 billion).

€10 Billion and $10 Billion Commercial Paper Programs

The euro commercial paper program in the amount of €10 billion allows E.ON SE and EIF (under the unconditional guarantee of E.ON SE) to issue from time to time commercial paper with maturities of up to two years less one day to investors. The U.S. commercial paper program in the amount of $10 billion allows E.ON SE to issue from time to time commercial paper with maturities of up to 366 days and extendible notes with original maturities of up to 397 days (and a subsequent extension option for the investor) to investors. As of December 31, 2014, €401 million (2013: €180 million) was outstanding under the euro commercial paper program. No commercial paper was outstanding under the U.S. commercial paper program, as in the previous year.

€5 Billion Syndicated Revolving Credit Facility

Effective November 6, 2013, E.ON arranged a syndicated revolving credit facility of €5 billion over an original term of five years, with two renewal options for one year each. In 2014, E.ON exercised the first option and extended the term of the credit facility by one year through 2019. The facility has not been drawn on; rather, it serves as the Group's long-term liquidity reserve, one purpose of which is to function as a backup facility for the commercial paper programs.

The bonds issued by E.ON SE and those issued by EIF and E.ON Beteiligungen GmbH (respectively guaranteed by E.ON SE) have the maturities presented in the table below. Liabilities denominated in foreign currency include the effects of economic hedges, and the amounts shown here may therefore vary from the amounts presented on the balance sheet.

Bonds Issued by E.ON SE, E.ON International Finance B.V. and E.ON Beteiligungen GmbH

€ in millions	Total	Due in 2014	Due in 2015	Due in 2016	Due in 2017	Due in 2018	Due between 2019 and 2025	Due after 2025
December 31, 2014	14,704	–	1,118	1,238	2,669	1,796	3,206	4,677
December 31, 2013	18,463	3,166	1,250	1,650	3,275	1,486	3,192	4,444

Financial Liabilities by Segment

The following table breaks down the financial liabilities by segment:

Financial Liabilities by Segment as of December 31

€ in millions	Generation 2014	Generation 2013	Renewables 2014	Renewables 2013	Global Commodities 2014	Global Commodities 2013
Bonds	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Bank loans/Liabilities to banks	73	217	84	80	–	–
Liabilities from finance leases	37	42	–	–	457	584
Other financial liabilities	1,324	760	411	630	159	41
Financial liabilities	**1,434**	**1,019**	**495**	**710**	**616**	**625**

Among other things, financial liabilities to financial institutions include collateral received, measured at a fair value of €142 million (2013: €196 million). This collateral relates to amounts pledged by banks to limit the utilization of credit lines in connection with the fair value measurement of derivative transactions. The other financial liabilities include promissory notes in the amount of €638 million (2013: €691 million) and financial guarantees totaling €11 million (2013: €30 million). Additionally included in this line item are margin deposits received in connection with forward transactions on futures exchanges in the amount of €153 million (2013: €7 million), as well as collateral received in connection with goods and services in the amount of €22 million (2013: €22 million). E.ON can use this collateral without restriction.

Trade Payables and Other Operating Liabilities

Trade payables totaled €2,185 million as of December 31, 2014 (2013: €2,485 million).

Capital expenditure grants of €381 million (2013: €451 million) were paid primarily by customers for capital expenditures made on their behalf, while the E.ON Group retains ownership of the assets. The grants are non-refundable and are recognized in other operating income over the period of the depreciable lives of the related assets.

Exploration & Production		Germany		Other EU Countries		Group Management/ Consolidation		E.ON Group	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
–	–	–	–	–	56	14,280	17,993	14,280	18,049
–	–	–	–	–	–	401	180	401	180
4	–	28	90	137	194	937	206	1,263	787
–	–	220	188	1	1	98	98	813	913
–	–	58	65	53	79	905	1,220	2,910	2,795
4	**–**	**306**	**343**	**191**	**330**	**16,621**	**19,697**	**19,667**	**22,724**

Construction grants of €2,073 million (2013: €2,334 million) were paid by customers for the cost of new gas and electricity connections in accordance with the generally binding terms governing such new connections. These grants are customary in the industry, generally non-refundable and recognized as revenue according to the useful lives of the related assets.

Other operating liabilities consist primarily of accruals in the amount of €9,661 million (2013: €11,637 million) and interest payable in the amount of €594 million (2013: €782 million). Also included in other operating liabilities are carryforwards of counterparty obligations to acquire additional shares in already consolidated subsidiaries, in the amount of €311 million (2013: €343 million), as well as non-controlling interests in fully consolidated partnerships with legal structures that give their shareholders a statutory right of withdrawal combined with a compensation claim, in the amount of €452 million (2013: €442 million).

The trade payables and other operating liabilities reported include no liabilities attributable to exploration activities (2013: €8 million).

(27) Contingencies and Other Financial Obligations

As part of its business activities, E.ON is subject to contingencies and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims (as discussed in more detail in Note 28), short- and long-term contractual, legal and other obligations and commitments.

Contingencies

The fair value of the E.ON Group's contingent liabilities arising from existing contingencies was €48 million as of December 31, 2014 (2013: €52 million). E.ON currently does not have reimbursement rights relating to the contingent liabilities disclosed.

E.ON has issued direct and indirect guarantees to third parties, which require E.ON to make contingent payments based on the occurrence of certain events. These consist primarily of financial guarantees and warranties.

In addition, E.ON has also entered into indemnification agreements. Along with other guarantees, these indemnification agreements are incorporated in agreements entered into by Group companies concerning the disposal of shareholdings and, above all, cover the customary representations and warranties, as well as environmental damage and tax contingencies. In some cases, obligations are covered in the first instance by provisions of the disposed companies before E.ON itself is required to make any payments. Guarantees issued by companies that were later sold by E.ON SE (or VEBA AG and VIAG AG before their merger) are usually included in the respective final sales contracts in the form of indemnities.

Moreover, E.ON has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

The guarantees of E.ON also include items related to the operation of nuclear power plants. With the entry into force of the German Nuclear Energy Act ("Atomgesetz" or "AtG"), as amended, and of the ordinance regulating the provision for coverage under the Atomgesetz ("Atomrechtliche Deckungsvorsorge-Verordnung" or "AtDeckV") of April 27, 2002, as amended, German nuclear power plant operators are required to provide nuclear accident liability coverage of up to €2.5 billion per incident.

The coverage requirement is satisfied in part by a standardized insurance facility in the amount of €255.6 million. The institution Nuklear Haftpflicht Gesellschaft bürgerlichen Rechts ("Nuklear Haftpflicht GbR") now only covers costs between €0.5 million and €15 million for claims related to officially ordered evacuation measures. Group companies have agreed to place their subsidiaries operating nuclear power plants in a position to maintain a level of liquidity that will enable them at all times to meet their obligations as members of the Nuklear Haftpflicht GbR, in proportion to their shareholdings in nuclear power plants.

To provide liability coverage for the additional €2,244.4 million per incident required by the above-mentioned amendments, E.ON Energie AG ("E.ON Energie") and the other parent companies of German nuclear power plant operators reached a Solidarity Agreement ("Solidarvereinbarung") on July 11, July 27, August 21, and August 28, 2001, extended by agreement dated March 25, April 18, April 28, and June 1, 2011. If an accident occurs, the Solidarity Agreement calls for the nuclear power plant operator liable for the damages to receive—after the operator's own resources and those of its parent companies are exhausted—financing sufficient for the operator to meet its financial obligations. Under the Solidarity Agreement, E.ON Energie's share of the liability coverage on December 31, 2014, remained unchanged from 2013 at 42.0 percent plus an additional 5.0 percent charge for the administrative costs of processing damage claims. Sufficient liquidity has been provided for within the liquidity plan.

In accordance with Swedish law, the companies of the Swedish generation unit and their parent company have issued guarantees to governmental authorities. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the decommissioning of nuclear power plants. These costs could arise if actual costs exceed accumulated funds. In addition, the companies of the Swedish generation unit and their parent company are also responsible for any costs related to the disposal of low-level radioactive waste.

In Sweden, owners of nuclear facilities are liable for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substances connected to the operation of those facilities. The liability per incident as of December 31, 2014, was limited to SEK 3,394 million, or €361 million (2013: SEK 3,007 million, or €339 million). This amount must be insured according to the Law Concerning Nuclear Liability. The necessary insurance for the affected nuclear power plants has been purchased. On July 1, 2010, the Swedish Parliament passed a law that requires the operator of a nuclear power plant in operation to have liability insurance or other financial security in an amount equivalent to €1.2 billion per facility. As of December 31, 2014, the conditions enabling this law to take effect were not yet in place.

The Generation global unit operates nuclear power plants only in Germany and Sweden. Accordingly, there are no additional contingencies comparable to those mentioned above.

Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to reported contingent liabilities, there also are other mostly long-term financial obligations arising mainly from contracts entered into with third parties, or on the basis of legal requirements.

As of December 31, 2014, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €1.7 billion (2013: €2.5 billion). Of these commitments, €1.3 billion are due within one year. This total mainly includes financial obligations for as yet outstanding investments in connection with new power plant construction projects and the expansion and modernization of existing generation assets, as well as with gas infrastructure projects, particularly at the Generation, Renewables, Global Commodities, Germany, Russia and Sweden units. On December 31, 2014, the obligations for new power plant construction reported under these purchase commitments totaled €0.9 billion. They also include the obligations relating to the construction of wind power plants.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

E.ON as Lessee—Operating Leases

	Minimum lease payments	
€ in millions	2014	2013
Due within 1 year	221	209
Due in 1 to 5 years	539	481
Due in more than 5 years	795	579
Total	**1,555**	**1,269**

The expenses reported in the income statement for such contracts amounted to €210 million (2013: €254 million). They include contingent rents that were expensed when they arose in 2014.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2014, relate primarily to the purchase of fossil fuels such as natural gas, lignite and hard coal. Financial obligations under these purchase contracts amounted to approximately €235.8 billion on December 31, 2014 (€10.8 billion due within one year).

Gas is usually procured on the basis of long-term purchase contracts with large international producers of natural gas. Such contracts are generally of a "take-or-pay" nature. The prices paid for natural gas are tied to the prices of competing energy sources or market reference prices, as dictated by market conditions. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may thus change accordingly. In the absence of an agreement on a pricing review, a neutral board of arbitration makes a final binding decision. Financial obligations arising from these contracts are calculated based on the same principles that govern internal budgeting. Furthermore, the take-or-pay conditions in the individual contracts are also considered in the calculations. The decrease compared with December 31, 2013, in contractual obligations for the purchase of fossil fuels, and gas procurement in particular, is primarily attributable to a reduction in the minimum purchase requirement and to an increase in contracts measured at fair value. The latter have already been accounted for at their market values.

As of December 31, 2014, €4.0 billion in contractual obligations (€1.7 billion due within one year) are in place for the purchase of electricity; these relate in part to purchases from jointly operated power plants in the Generation and Renewables units. The purchase price of electricity from jointly operated power plants is generally based on the supplier's production cost plus a profit margin that is generally calculated on the basis of an agreed return on capital.

Other purchase commitments as of December 31, 2014, amounted to approximately €4.0 billion (€0.5 billion due within one year). In addition to purchase commitments primarily for heat and alternative fuels, there are long-term contractual obligations in place at the Generation unit for the purchase of nuclear fuel elements and of services relating to the interim and final storage of nuclear fuel elements.

Aside from the preceding, further financial obligations in place as of December 31, 2014, totaled approximately €3.3 billion (€1.1 billion due within one year). They include, among other things, financial obligations from services to be procured and obligations concerning the acquisition of real estate funds held as financial assets, as well as corporate actions.

(28) Litigation and Claims

A number of different court actions (including product liability claims, price adjustments and allegations of price fixing), governmental investigations and proceedings, and other claims are currently pending or may be instituted or asserted in the future against companies of the E.ON Group. This in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the gas and electricity sectors (also as a consequence of the energy transition) concerning price increases, alleged price-fixing agreements and anticompetitive practices. Legal action is also pending in the nuclear power segment, centered on the new Repository Site Selection Act and the nuclear-power moratorium in Germany.

The entire sector is involved in a multitude of court proceedings throughout Germany in the matter of price-adjustment clauses in the retail electricity and gas supply business with high-volume customers. These proceedings also include actions for the restitution of amounts collected through price increases imposed using price-adjustment clauses determined to be invalid. In a judgment delivered in October 2014, the European Court of Justice ruled that Germany's Basic Supply Ordinances for Power and Gas do not comply with the relevant European directives. The German Federal Court of Justice must now rule on the legal consequences of this violation for German law. That ruling is expected to be delivered in 2015. Although no companies of the E.ON Group are directly involved in these particular preliminary-ruling proceedings, a finding that European law has been violated could still give rise to claims against Group companies for the restitution of amounts collected through such price increases. Furthermore, there are several court proceedings with major customers on contract amendments and price adjustments in long-term electricity and gas supply contracts in response to the altered situation brought about by market upheavals. In some of these cases, customers are challenging the validity not only of the price-adjustment clauses, but of the contracts in their entirety.

Competition in the gas market and rising trading volumes at virtual trading points and on gas exchanges could result in considerable risks for gas quantities purchased under long-term take-or-pay contracts. In addition, given the extensive upheavals in the German wholesale markets for natural gas in the past years, substantial price risks have arisen between purchase and sales volumes. Long-term gas-procurement contracts generally include the option for producers and importers to adjust the terms in line with constantly changing market conditions. On this basis, E.ON Global Commodities continuously conducts intensive negotiations with producers. The possibility of further legal disputes cannot be excluded.

The reactor accident at Fukushima caused the political parties in Germany's coalition government to reverse their nuclear-energy policy. Having initially extended the operating lives of the country's nuclear power plants in the fall of 2010 as provided for in the coalition agreement at the time, the German federal government then rescinded the extensions in the thirteenth amended version of the Nuclear Energy Act, and added further restrictive provisions. However, E.ON contends that the nuclear phaseout as currently legislated is irreconcilable with constitutionally-protected property rights and the freedom to choose an occupation and operate a business. Such an intervention would, in E.ON's view, be unconstitutional unless compensation is granted for the rights thus taken, and for the corresponding stranded assets. Accordingly, in mid-November 2011, E.ON filed a constitutional complaint against the thirteenth amendment of the Nuclear Energy Act with the Federal Constitutional Court of Germany in Karlsruhe. The nuclear-fuel tax remains at its original level after the reversal of the operating-life extensions. E.ON believes that this tax contravenes Germany's constitution and European law and is therefore pursuing administrative proceedings and taking legal action against it. This view was affirmed by both the Hamburg Fiscal Court and the Munich Fiscal Court. The legal issues involved have been presented to both the Federal Constitutional Court and the European Court of Justice.

Because litigation and claims are subject to numerous uncertainties, their outcome cannot be ascertained; however, in the opinion of management, any potential obligations arising from these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

(29) Supplemental Cash Flow Disclosures

Supplemental Cash Flow Disclosures		
€ in millions	2014	2013
Non-cash investing and financing activities		
Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities	623	975

The total consideration received by E.ON in 2014 on the disposal of consolidated equity interests and activities generated cash inflows of €939 million (2013: €3,599 million). Cash and cash equivalents divested in connection with the disposals amounted to €27 million (2013: €612 million). The sale of these activities led to reductions of €1,625 million (2013: €7,165 million) in assets and €572 million (2013: €3,112 million) in provisions and liabilities.

The purchase prices paid for subsidiaries totaled €22 million in 2014 (2013: €50 million). The acquisitions included cash and cash equivalents in the amount of €1 million (2013: €6 million).

At €6.3 billion, the E.ON Group's operating cash flow was at the prior-year level, as were cash earnings and working capital; the latter having benefited from the successful implementation of the "Working Capital Excellence" project.

Cash provided by investing activities of continuing operations amounted to roughly -€3.3 billion (2013: -€0.6 billion). The substantial cash inflows–€6.5 billion– generated in the previous year from the disposal of equity investments under the divestment program were not matched in 2014. These inflows were €4.3 billion (66 percent) lower than in 2013; they were primarily generated in the Renewables, Global Commodities, Germany and Czechia units, in the amount of €2.2 billion. Inflows from the disposal of intangible assets and of property, plant and equipment also fell, by €0.3 billion. This substantial decline in divestment cash flows was partly offset by a reduction of €3.4 billion in investment spending, which in 2013 had primarily reflected the acquisition and expansion of new activities in Turkey and Brazil. Accordingly, spending on intangible assets, on property, plant and equipment and on equity investments was approximately 42 percent lower in 2014 than in 2013. Changes in securities, fixed-term deposits and restricted cash and cash equivalents produced a net outflow of cash €1.5 billion higher than in the previous year.

In 2014, cash provided by financing activities of continuing operations totaled -€4.6 billion (2013: -€4.0 billion). The €1.9 billion increase in the net repayment of financial liabilities was partly offset by the lowering of the dividend payout by roughly €1.3 billion relative to the previous year.

Exploration activity resulted in operating cash flow of -€49 million (2013: -€71 million) and in cash flow from investing activities of -€13 million (2012: -€95 million).

(30) Derivative Financial Instruments and Hedging Transactions

Strategy and Objectives

The Company's policy generally permits the use of derivatives if they are associated with underlying assets or liabilities, planned transactions, or legally binding rights or obligations.

Hedge accounting in accordance with IAS 39 is employed primarily for interest rate derivatives used to hedge long-term debts and bonds to be issued in the future, as well as for currency derivatives used to hedge net investments in foreign operations, long-term receivables and debts denominated in foreign currency, as well as planned capital investments.

In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group, as well as from anticipated fuel purchases and purchases and sales of gas, are hedged.

Fair Value Hedges

Fair value hedges are used to protect against the risk from changes in market values. Gains and losses on these hedges are generally reported in that line item of the income statement which also includes the respective hedged items.

Cash Flow Hedges

Cash flow hedges are used to protect against the risk arising from variable cash flows. Interest rate swaps, cross-currency interest rate swaps, swaptions and interest rate options are the principal instruments used to limit interest rate and currency risks. The purpose of these swaps is to maintain the level of payments arising from long-term interest-bearing receivables and liabilities and from capital investments denominated in foreign currency and euro by using cash flow hedge accounting in the functional currency of the respective E.ON company.

In order to reduce future cash flow fluctuations arising from electricity transactions effected at variable spot prices, futures contracts are concluded and also accounted for using cash flow hedge accounting.

As of December 31, 2014, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to 23 years (2013: up to 25 years) and interest cash flow hedges with maturities of up to twelve years (2013: up to one year). Hedged commodity transactions expired regularly in 2014; in 2013, commodity cash flow hedges had maturities of up to one year.

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2014, produced a loss of €25 million (2013: €20 million gain).

Pursuant to the information available as of the balance sheet date, the following effects will accompany the reclassifications from accumulated other comprehensive income to the income statement in subsequent periods:

Timing of Reclassifications from OCI[1] to the Income Statement—2014

		Expected gains/losses			
€ in millions	Carrying amount	2015	2016	2017–2019	>2019
OCI—Currency cash flow hedges	1,031	-	24	17	-1,072
OCI—Interest cash flow hedges	70	-8	-9	-22	-31
OCI—Commodity cash flow hedges	-1	1	-	-	-

[1]OCI = Other comprehensive income. Figures are pre-tax.

Timing of Reclassifications from OCI[1] to the Income Statement—2013

		Expected gains/losses			
€ in millions	Carrying amount	2014	2015	2016–2018	>2018
OCI—Currency cash flow hedges	328	-	20	31	-379
OCI—Interest cash flow hedges	61	-6	-7	-15	-33
OCI—Commodity cash flow hedges	-12	12	-	-	-

[1]OCI = Other comprehensive income. Figures are pre-tax.

Gains and losses from reclassification are generally reported in that line item of the income statement which also includes the respective hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as other operating income or other operating expenses. Interest cash flow hedges are reported under "Interest and similar expenses." The fair values of the designated derivatives in cash flow hedges totaled -€974 million (2013: -€546 million).

A loss of €55 million (2013: €124 million gain) was posted to other comprehensive income in 2014. In the same period, a loss of €663 million (2013: €12 million loss) was reclassified from OCI to the income statement.

Net Investment Hedges

The Company uses foreign currency loans, foreign currency forwards and foreign currency swaps to protect the value of its net investments in its foreign operations denominated in foreign currency. For the year ended December 31, 2014, the Company recorded an amount of €269 million (2013: -€23 million) in accumulated other comprehensive income due to changes in fair value of derivatives and to currency translation results of non-derivative hedging instruments. As in 2013, no ineffectiveness resulted from net investment hedges in 2014.

Valuation of Derivative Instruments

The fair value of derivative financial instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. The fair value to be determined for each derivative instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (exit price). E.ON also takes into account the counterparty credit risk when determining fair value (credit value adjustment). The fair values of derivative instruments are calculated using common market valuation methods with reference to available market data on the measurement date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments in the Consolidated Financial Statements.

- Currency, electricity, gas, oil and coal forward contracts, swaps, and emissions-related derivatives are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for interest rate, electricity and gas options are valued using standard option pricing models commonly used in the market. The fair values of caps, floors and collars are determined on the basis of quoted market prices or on calculations based on option pricing models.

- The fair values of existing instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate, cross-currency and cross-currency interest rate swaps for each individual transaction as of the balance sheet date. Interest income is recognized in income at the date of payment or accrual.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking into consideration any timing components.

- Exchange-traded futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Paid initial margins are disclosed under other assets. Variation margins received or paid during the term of such contracts are stated under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical 10-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €60 million or an increase of €63 million, respectively.

At the beginning of 2014, a loss of €42 million from the initial measurement of derivatives was deferred. After realization of €6 million in gains, the remainder is a deferred loss of €48 million at year-end, which will be recognized in income during subsequent periods as the contracts are settled.

The following two tables include both derivatives that qualify for IAS 39 hedge accounting treatment and those for which it is not used:

Total Volume of Foreign Currency, Interest Rate and Equity-Based Derivatives

€ in millions	December 31, 2014 Nominal value	December 31, 2014 Fair value	December 31, 2013 Nominal value	December 31, 2013 Fair value
FX forward transactions	17,113.9	42.9	21,548.5	-67.4
Subtotal	**17,113.9**	**42.9**	**21,548.5**	**-67.4**
Cross-currency swaps	8,175.7	-134.6	9,854.2	-211.4
Cross-currency interest rate swaps	35.5	32.1	35.5	32.6
Subtotal	**8,211.2**	**-102.5**	**9,889.7**	**-178.8**
Interest rate swaps	2,893.0	-558.2	2,776.3	-195.2
Fixed-rate payer	*2,393.0*	*-607.5*	*2,276.3*	*-235.8*
Fixed-rate receiver	*500.0*	*49.3*	*500.0*	*40.6*
Interest rate options	2,000.0	-322.5	2,000.0	-29.8
Subtotal	**4,893.0**	**-880.7**	**4,776.3**	**-225.0**
Other derivatives	208.0	9.8	9.1	–
Subtotal	**208.0**	**9.8**	**9.1**	**0.0**
Total	**30,426.1**	**-930.5**	**36,223.6**	**-471.2**

Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

€ in millions	December 31, 2014 Nominal value	December 31, 2014 Fair value	December 31, 2013 Nominal value	December 31, 2013 Fair value
Electricity forwards	50,440.2	519.1	45,407.3	172.9
Exchange-traded electricity forwards	15,408.3	175.9	9,671.0	260.5
Electricity swaps	2,462.8	49.1	3,179.1	12.5
Electricity options	256.1	-27.8	55.7	2.7
Gas forwards	37,619.7	282.4	22,879.6	328.3
Exchange-traded gas forwards	9,723.6	72.2	3,213.1	-5.0
Gas swaps	5,888.7	15.0	1,077.3	0.9
Gas options	68.3	19.0	15.9	-1.4
Coal forwards and swaps	1,807.0	1.8	2,646.6	-78.2
Exchange-traded coal forwards	12,004.3	-296.4	10,849.0	-172.5
Oil derivatives	9,431.7	-72.1	8,571.0	53.4
Exchange-traded oil derivatives	4,711.2	31.4	15,969.2	-13.7
Emissions-related derivatives	–	–	4.5	-5.5
Exchange-traded emissions-related derivatives	808.0	84.7	1,128.5	-157.5
Other derivatives	38.8	-2.8	42.5	2.4
Other exchange-traded derivatives	103.9	18.2	58.3	-6.2
Total	**150,772.6**	**869.7**	**124,768.6**	**393.6**

(31) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table:

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2014

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	1,573	1,573	AfS	1,573	120	320
Financial receivables and other financial assets	4,909	3,739		4,032	99	546
Receivables from finance leases	*645*	*645*	*n/a*	*645*	*99*	*546*
Other financial receivables and financial assets	*4,264*	*3,094*	*LaR*	*3,387*	*–*	*–*
Trade receivables and other operating assets	28,258	26,984		26,984	6,157	7,115
Trade receivables	*11,800*	*11,800*	*LaR*	*11,800*	*–*	*–*
Derivatives with no hedging relationships	*13,346*	*13,346*	*HfT*	*13,346*	*6,157*	*6,745*
Derivatives with hedging relationships	*370*	*370*	*n/a*	*370*	*–*	*370*
Other operating assets	*2,742*	*1,468*	*LaR*	*1,468*	*–*	*–*
Securities and fixed-term deposits	6,593	6,593	AfS	6,593	5,761	832
Cash and cash equivalents	3,191	3,191	AfS	3,191	3,143	48
Restricted cash	1,064	1,064	AfS	1,064	1,064	–
Assets held for sale	5,770	125	AfS	125	21	104
Total assets	**51,358**	**43,269**		**43,562**	**16,365**	**8,965**
Financial liabilities	19,667	19,222		23,213	18,824	1,664
Bonds	*14,280*	*14,280*	*AmC*	*17,997*	*17,997*	*–*
Commercial paper	*401*	*401*	*AmC*	*401*	*–*	*401*
Bank loans/Liabilities to banks	*1,263*	*1,263*	*AmC*	*1,263*	*–*	*1,263*
Liabilities from finance leases	*813*	*813*	*n/a*	*1,296*	*–*	*–*
Other financial liabilities	*2,910*	*2,465*	*AmC*	*2,256*	*827*	*–*
Trade payables and other operating liabilities	32,419	27,151		27,151	6,187	7,541
Trade payables	*2,185*	*2,185*	*AmC*	*2,185*	*–*	*–*
Derivatives with no hedging relationships	*12,332*	*12,332*	*HfT*	*12,332*	*6,187*	*6,097*
Derivatives with hedging relationships	*1,444*	*1,444*	*n/a*	*1,444*	*–*	*1,444*
Put option liabilities under IAS 32[2]	*764*	*764*	*AmC*	*764*	*–*	*–*
Other operating liabilities	*15,694*	*10,426*	*AmC*	*10,426*	*–*	*–*
Total liabilities	**52,086**	**46,373**		**50,364**	**25,011**	**9,205**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 1. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 26).

The carrying amounts of cash and cash equivalents and of trade receivables are considered reasonable estimates of their fair values because of their short maturity.

Where the value of a financial instrument can be derived from an active market without the need for an adjustment, that value is used as the fair value. This applies in particular to equities held and to bonds held and issued.

Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2013

€ in millions	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Determined using market prices	Derived from active market prices
Equity investments	1,966	1,966	AfS	1,966	120	422
Financial receivables and other financial assets	5,204	5,066		5,308	106	204
Receivables from finance leases	*725*	*725*	*n/a*	*725*	*106*	*204*
Other financial receivables and financial assets	*4,479*	*4,341*	*LaR*	*4,583*	–	–
Trade receivables and other operating assets	24,148	22,545		22,545	1,878	4,536
Trade receivables	*14,257*	*14,257*	*LaR*	*14,257*	–	–
Derivatives with no hedging relationships	*6,241*	*6,241*	*HfT*	*6,241*	*1,878*	*4,078*
Derivatives with hedging relationships	*458*	*458*	*n/a*	*458*	–	*458*
Other operating assets	*3,192*	*1,589*	*LaR*	*1,589*	–	–
Securities and fixed-term deposits	7,092	7,092	AfS	7,092	6,468	624
Cash and cash equivalents	4,527	4,527	AfS	4,527	4,493	34
Restricted cash	639	639	AfS	639	639	–
Assets held for sale	1,031	204	AfS	204	73	131
Total assets	**44,607**	**42,039**		**42,281**	**13,777**	**5,951**
Financial liabilities	22,724	22,674		25,837	21,102	967
Bonds	*18,049*	*18,049*	*AmC*	*20,761*	*20,761*	–
Commercial paper	*180*	*180*	*AmC*	*180*	–	*180*
Bank loans/Liabilities to banks	*787*	*787*	*AmC*	*787*	–	*787*
Liabilities from finance leases	*913*	*913*	*n/a*	*1,429*	–	–
Other financial liabilities	*2,795*	*2,745*	*AmC*	*2,680*	*341*	–
Trade payables and other operating liabilities	28,211	21,497		21,497	2,001	4,626
Trade payables	*2,485*	*2,485*	*AmC*	*2,485*	–	–
Derivatives with no hedging relationships	*5,953*	*5,953*	*HfT*	*5,953*	*2,001*	*3,797*
Derivatives with hedging relationships	*829*	*829*	*n/a*	*829*	–	*829*
Put option liabilities under IAS 32[2]	*785*	*785*	*AmC*	*785*	–	–
Other operating liabilities	*18,159*	*11,445*	*AmC*	*11,445*	–	–
Total liabilities	**50,935**	**44,171**		**47,334**	**23,103**	**5,593**

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The measurement categories are described in detail in Note 1. The amounts determined using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) correspond to the difference between the total fair value and the fair values of the two hierarchy levels listed.
[2]Liabilities from put options include counterparty obligations and non-controlling interests in fully consolidated partnerships (see Note 26).

The fair value of shareholdings in unlisted companies and of debt instruments that are not actively traded, such as loans received, loans granted and financial liabilities, is determined by discounting future cash flows. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied in the case of shareholdings with a carrying amount of €49 million (2013: €19 million) as cash flows could not be determined reliably for them. Fair values could not be derived on the basis of comparable transactions. The shareholdings are not material by comparison with the overall position of the Group.

The carrying amount of commercial paper, borrowings under revolving short-term credit facilities and trade payables is used as the fair value due to the short maturities of these items. The determination of the fair value of derivative financial instruments is discussed in Note 30.

In the fourth quarter of 2014, there were no material reclassifications between Levels 1 and 2 of the fair value hierarchy. At the end of each reporting period, E.ON assesses whether there might be grounds for reclassification between hierarchy levels.

The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data (see also Note 1). In 2014, equity investments were reclassified into Level 3 in the amount of €67 million, and out of Level 3 into Level 2 in the amount of €30 million. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)

						Transfers			
€ in millions	Jan. 1, 2014	Purchases (including additions)	Sales (including disposals)	Settlements	Gains/ Losses in income statement	into Level 3	out of Level 3	Gains/ Losses in OCI	Dec. 31, 2014
Equity investments	1,424	35	-39	–	–	67	-30	-324	1,133
Derivative financial instruments	130	-5	-15	–	287	-1	–	–	396
Total	**1,554**	**30**	**-54**	**0**	**287**	**66**	**-30**	**-324**	**1,529**

The extent to which the offsetting of financial assets is covered by netting agreements is presented in the following table:

Netting Agreements for Financial Assets and Liabilities as of December 31, 2014

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	11,800	–	11,800	4,300	–	7,500
Interest-rate and currency derivatives	1,447	–	1,447	–	143	1,304
Commodity derivatives	12,269	–	12,269	4,205	121	7,943
Total	**25,516**	**0**	**25,516**	**8,505**	**264**	**16,747**
Financial liabilities						
Interest-rate and currency derivatives	2,375	–	2,375	–	981	1,394
Commodity derivatives	11,401	–	11,401	4,195	328	6,878
Other operating liabilities	15,694	–	15,694	–	–	15,694
Total	**29,470**	**0**	**29,470**	**4,195**	**1,309**	**23,966**

Netting Agreements for Financial Assets and Liabilities as of December 31, 2013

€ in millions	Gross amount	Amount offset	Carrying amount	Conditional netting amount (netting agreements)	Financial collateral received/ pledged	Net value
Financial assets						
Trade receivables	14,257	–	14,257	3,664	–	10,593
Interest-rate and currency derivatives	1,859	1,218	641	–	196	445
Commodity derivatives	6,058	–	6,058	1,920	7	4,131
Total	**22,174**	**1,218**	**20,956**	**5,584**	**203**	**15,169**
Financial liabilities						
Interest-rate and currency derivatives	1,343	1,218	125	–	103	22
Commodity derivatives	6,657	–	6,657	1,920	468	4,269
Other operating liabilities	18,159	–	18,159	3,664	–	14,495
Total	**26,159**	**1,218**	**24,941**	**5,584**	**571**	**18,786**

The netting agreements as of December 31, 2013, included a netted amount of €1,218 million, which must now be presented gross in line with the first-time application of IAS 32 as amended (see Note 2).

Transactions and business relationships resulting in the derivative financial receivables and liabilities presented are generally concluded on the basis of standard contracts that permit the netting of open transactions in the event that a counterparty becomes insolvent.

The netting agreements are derived from netting clauses contained in master agreements including those of the International Swaps and Derivatives Association (ISDA) and the European Federation of Energy Traders (EFET), as well as the German Master Agreement for Financial Derivatives Transactions (”DRV”) and the Financial Energy Master Agreement (”FEMA”). For currency and interest rate derivatives in the financial sector, this netting option, if allowed, is reflected in the accounting treatment and illustrated in the table above. Collateral pledged to and received from financial institutions in relation to these liabilities and assets limits the utilization of credit lines in the fair value measurement of interest-rate and currency derivatives, and is also shown in the table. For commodity derivatives in the energy trading business, the netting option is not presented in the accounting because the legal enforceability of netting agreements varies by country.

The following two tables illustrate the contractually agreed (undiscounted) cash outflows arising from the liabilities included in the scope of IFRS 7:

Cash Flow Analysis as of December 31, 2014

€ in millions	Cash outflows 2015	Cash outflows 2016	Cash outflows 2017–2019	Cash outflows from 2020
Bonds	2,035	1,943	7,092	10,926
Commercial paper	401	–	–	–
Bank loans/Liabilities to banks	1,120	33	79	52
Liabilities from finance leases	100	162	228	1,341
Other financial liabilities	1,001	42	473	1,112
Financial guarantees	87	–	–	–
Cash outflows for financial liabilities	**4,744**	**2,180**	**7,872**	**13,431**
Trade payables	2,241	–	–	–
Derivatives (with/without hedging relationships)	34,774	14,428	2,361	6
Put option liabilities under IAS 32	17	108	108	531
Other operating liabilities	10,516	2	14	6
Cash outflows for trade payables and other operating liabilities	**47,548**	**14,538**	**2,483**	**543**
Cash outflows for liabilities within the scope of IFRS 7	**52,292**	**16,718**	**10,355**	**13,974**

Cash Flow Analysis as of December 31, 2013

€ in millions	Cash outflows 2014	Cash outflows 2015	Cash outflows 2016–2018	Cash outflows from 2019
Bonds	4,217	2,079	8,455	11,719
Commercial paper	180	–	–	–
Bank loans/Liabilities to banks	654	41	52	64
Liabilities from finance leases	108	160	262	1,720
Other financial liabilities	552	326	642	1,213
Financial guarantees	457	–	–	–
Cash outflows for financial liabilities	**6,168**	**2,606**	**9,411**	**14,716**
Trade payables	3,810	–	–	–
Derivatives (with/without hedging relationships)	22,177	4,919	1,424	–
Put option liabilities under IAS 32	72	16	135	562
Other operating liabilities	11,445	15	5	153
Cash outflows for trade payables and other operating liabilities	**37,504**	**4,950**	**1,564**	**715**
Cash outflows for liabilities within the scope of IFRS 7	**43,672**	**7,556**	**10,975**	**15,431**

Financial guarantees with a total nominal volume of €87 million (2013: €457 million) were issued to companies outside of the Group. This amount is the maximum amount that E.ON would have to pay in the event of claims on the guarantees; a book value of €11 million (2013: €30 million) has been recognized.

For financial liabilities that bear floating interest rates, the rates that were fixed on the balance sheet date are used to calculate future interest payments for subsequent periods as well. Financial liabilities that can be terminated at any time are assigned to the earliest maturity band in the same way as put options that are exercisable at any time. All covenants were complied with during 2014.

In gross-settled derivatives (usually currency derivatives and commodity derivatives), outflows are accompanied by related inflows of funds or commodities.

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

Net Gains and Losses by Category[1]

€ in millions	2014	2013
Loans and receivables	-96	-206
Available for sale	722	1,430
Held for trading	1,166	841
Amortized cost	-1,070	-1,188
Total	**722**	**877**

[1]The categories are described in detail in Note 1.

In addition to interest income and expenses from financial receivables, the net gains and losses in the loans and receivables category consist primarily of valuation allowances on trade receivables. Gains and losses on the disposal of available-for-sale securities and equity investments are reported under other operating income and other operating expenses, respectively.

The net gains and losses in the amortized cost category are due primarily to interest on financial liabilities, reduced by capitalized construction-period interest.

The net gains and losses in the held-for-trading category encompass both the changes in fair value of the derivative financial instruments and the gains and losses on realization. The fair value measurement of commodity derivatives and of realized gains on currency derivatives is the most important factor in the net result for this category.

Risk Management

Principles

The prescribed processes, responsibilities and actions concerning financial and risk management are described in detail in internal risk management guidelines applicable throughout the Group. The units have developed additional guidelines of their own within the confines of the Group's overall guidelines. To ensure efficient risk management at the E.ON Group, the Trading (Front Office), Financial Controlling (Middle Office) and Financial Settlement (Back Office) departments are organized as strictly separate units. Risk controlling and reporting in the areas of interest rates, currencies, credit and liquidity management is performed by the Financial Controlling department, while risk controlling and reporting in the area of commodities is performed at Group level by a separate department.

E.ON uses a Group-wide treasury, risk management and reporting system. This system is a standard information technology solution that is fully integrated and is continuously updated. The system is designed to provide for the analysis and monitoring of the E.ON Group's exposure to liquidity, foreign exchange and interest risks. The units employ established systems for commodities. Credit risks are monitored and controlled on a Group-wide basis by Financial Controlling, with the support of a standard software package. The commodity positions of most of the global and regional units are transferred to the Global Commodities unit for risk management and optimization purposes, based on a transfer-pricing mechanism. Special risk management, coordinated with Group Management, applies in a small number of exceptional cases.

Separate Risk Committees are responsible for the maintenance and further development of the strategy set by the Board of Management of E.ON SE with regard to commodity, treasury and credit risk management policies.

1. Liquidity Management

The primary objectives of liquidity management at E.ON consist of ensuring ability to pay at all times, the timely satisfaction of contractual payment obligations and the optimization of costs within the E.ON Group.

Cash pooling and external financing are largely centralized at E.ON SE and certain financing companies. Funds are provided to the other Group companies as needed on the basis of an "in-house banking" solution.

E.ON SE determines the Group's financing requirements on the basis of short- and medium-term liquidity planning. The financing of the Group is controlled and implemented on a forward-looking basis in accordance with the planned liquidity requirement or surplus. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, divestments, margin payments and the maturity of bonds and commercial paper.

2. Price Risks

In the normal course of business, the E.ON Group is exposed to risks arising from price changes in foreign exchange, interest rates, commodities and asset management. These risks create volatility in earnings, equity, debt and cash flows from period to period. E.ON has developed a variety of strategies to limit or eliminate these risks, including the use of derivative financial instruments, among others.

3. Credit Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Uniform credit risk management procedures are in place throughout the Group to identify, measure and control credit risks.

The following discussion of E.ON's risk management activities and the estimated amounts generated from profit-at-risk ("PaR"), value-at-risk ("VaR") and sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual, unforeseeable developments in the global financial markets. The methods used by the Company to analyze risks should not be considered forecasts of future events or losses. For example, E.ON faces certain risks that are either non-financial or non-quantifiable. Such risks principally include country risk, operational risk, regulatory risk and legal risk, which are not represented in the following analyses.

Foreign Exchange Risk Management

E.ON SE is responsible for controlling the currency risks to which the E.ON Group is exposed.

Because it holds interests in businesses outside of the euro area, currency translation risks arise within the E.ON Group. Fluctuations in exchange rates produce accounting effects attributable to the translation of the balance sheet and income statement items of the foreign consolidated Group companies included in the Consolidated Financial Statements. Translation risks are hedged through borrowing in the corresponding local currency, which may also includes shareholder loans in foreign currency. In addition, derivative and primary financial instruments are employed as needed. The hedges qualify for hedge accounting under IFRS as hedges of net investments in foreign operations. The Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The E.ON Group is also exposed to operating and financial transaction risks attributable to foreign currency transactions. These risks arise for the Group companies primarily from physical and financial trading in commodities, from intragroup relationships and from capital spending in foreign currency. The subsidiaries are responsible for controlling their operating currency risks. E.ON SE coordinates hedging throughout the Group and makes use of external derivatives as needed.

Financial transaction risks result from payments originating from financial receivables and payables. They are generated both by external financing in a variety of foreign currencies, and by shareholder loans from within the Group denominated in foreign currency. Financial transaction risks are generally fully hedged.

The one-day value-at-risk (99 percent confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €143 million as of December 31, 2014 (2013: €122 million) and resulted primarily from the positions in British pounds and Swedish kronor.

Interest Risk Management

E.ON is exposed to profit risks arising from floating-rate financial liabilities and from interest rate derivatives. Positions based on fixed interest rates, on the other hand, are subject to changes in fair value resulting from the volatility of market rates. E.ON seeks a specific mix of fixed- and floating-rate debt over time. The long-term orientation of the business model in principle means fulfilling a high proportion of financing requirements at fixed rates, especially within the medium-term planning period. This also involves the use of interest rate derivatives. With interest rate derivatives included, the share of financial liabilities with fixed interest rates was 93 percent as of December 31, 2014 (2013: 93 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €14.3 billion at year-end 2014, would decline to €13.1 billion in 2015 and to €10.4 billion in 2016. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 7.4 years as of December 31, 2014 (2013: 7.1 years). The volume-weighted average interest rate of the financial liabilities, including interest rate derivatives, was 5.6 percent as of December 31, 2014 (2013: 5.5 percent).

As of December 31, 2014, the E.ON Group held interest rate derivatives with a nominal value of €4,893 million (2013: €4,776 million).

A sensitivity analysis was performed on the Group's short-term floating-rate borrowings, including hedges of both foreign exchange risk and interest risk. This measure is used for internal risk controlling and reflects the economic position of the E.ON Group. A one-percentage-point upward or downward change in interest rates (across all currencies) would neither raise nor lower interest charges in the subsequent fiscal year (2013: €31 million increase or decrease).

Commodity Price Risk Management

The E.ON portfolio of physical assets, long-term contracts and end-customer sales is exposed to substantial risks from fluctuations in commodity prices. The principal commodity prices to which E.ON is exposed relate to electricity, gas, hard coal, iron ore, freight charters, petroleum products, LNG and emission certificates.

The objective of commodity risk management is to transact through physical and financial contracts to optimize the value of the portfolio while reducing the potential negative deviation from target EBITDA.

The maximum permissible risk is determined centrally by the Board of Management and allocated over a three-year planning horizon into a decentralized limit structure in coordination with the units. Before limits are approved, investment plans and all other known obligations and quantifiable risks are taken into account. Ongoing risk controlling and reporting, including portfolio optimization, is steered centrally by Group

Management and operationally managed within the units independently from trading operations. There is a clear system of internal controls in place that follows best-practice industry standards of risk management.

From a forward-looking perspective, risks are assessed using a profit-at-risk metric that quantifies the risk by taking into account the size of the open position, price levels and price volatilities, as well as the underlying market liquidity in each market. Profit-at-risk reflects the potential negative change in the market value of the open position if it is closed as quickly as market liquidity allows with a 5-percent chance of being exceeded.

The profit-at-risk for the financial and physical commodity positions covering the planning horizon of up to three years amounted to €1,412 million as of December 31, 2014 (2013: €1,616 million).

As of December 31, 2014, the E.ON Group has entered into electricity, gas, coal, oil and emissions-related derivatives with a nominal value of €150,773 million (2013: €124,769 million).

A key foundation of the risk management system is the Group-wide Commodity Risk Policy and the corresponding internal policies of the units. These specify the control principles for commodity risk management, minimum required standards and clear management and operational responsibilities.

Commodity exposures and risks are aggregated across the Group on a monthly basis and reported to both the Risk Committee and the Market Committee.

The commodity risk management as presented above reflects the Group's internal management reporting and also covers the financial instruments within the scope of IFRS 7.

Credit Risk Management

In order to minimize credit risk arising from operating activities and from the use of financial instruments, the Company enters into transactions only with counterparties that satisfy the Company's internally established minimum requirements. Maximum credit risk limits are set on the basis of internal and (where available) external credit ratings. The setting and monitoring of credit limits is subject to certain minimum requirements, which are based on Group-wide credit risk management guidelines. Long-term operating contracts and asset management transactions are not comprehensively included in this process. They are monitored separately at the level of the responsible units.

In principle, each Group company is responsible for managing credit risk in its operating activities. Depending on the nature of the operating activities and the credit risk, additional credit risk monitoring and controls are performed both by the units and by Group Management. Monthly reports on credit limits, including their utilization, are submitted to the Risk Committee. Intensive, standardized monitoring of quantitative and qualitative early-warning indicators, as well as close monitoring of the credit quality of counterparties, enable E.ON to act early in order to minimize risk.

To the extent possible, pledges of collateral are negotiated with counterparties for the purpose of reducing credit risk. Accepted as collateral are guarantees issued by the respective parent companies or evidence of profit-and-loss-pooling agreements in combination with letters of awareness. To a lesser extent, the Company also requires bank guarantees and deposits of cash and securities as collateral to reduce credit risk. Risk-management collateral was accepted in the amount of €7,157 million.

The levels and backgrounds of financial assets received as collateral are described in more detail in Notes 18 and 26.

Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Limits are imposed on the credit and liquidity risk resulting from bilateral margining agreements.

Exchange-traded forward and option contracts as well as exchange-traded emissions-related derivatives having an aggregate nominal value of €42,759 million as of December 31, 2014, (2013: €40,889 million) bear no credit risk. For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

At E.ON, liquid funds are normally invested at banks with good credit ratings, in money market funds with first-class ratings or in short-term securities (for example, commercial paper) of issuers with strong credit ratings. Bonds of public and private issuers are also selected for investment. Group companies that for legal reasons are not included in the cash pool invest money at leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels at the banks and at other significant counterparties.

Asset Management

For the purpose of financing long-term payment obligations, including those relating to asset retirement obligations (see Note 25), financial investments totaling €5.4 billion (2013: €5.9 billion) were held predominantly by German E.ON Group companies as of December 31, 2014.

These financial assets are invested on the basis of an accumulation strategy (total-return approach), with investments broadly diversified across the money market, bond, real estate and equity asset classes. Asset allocation studies are performed at regular intervals to determine the target portfolio structure. The majority of the assets is held in investment funds managed by external fund managers. Corporate Asset Management at E.ON SE, which is part of the Company's Finance Department, is responsible for continuous monitoring of overall risks and those concerning individual fund managers. Risk management is based on a risk budget whose usage is monitored regularly. The three-month VaR with a 98-percent confidence interval for these financial assets was €240 million (2013: €88 million). The increase relative to the previous year is primarily attributable to higher market volatility.

In addition, the mutual insurance fund Versorgungskasse Energie VVaG ("VKE") manages financial assets that are almost exclusively dedicated to the coverage of benefit obligations at E.ON Group companies in Germany; these assets totaled €1.0 billion at year-end 2014 (2013: €0.8 billion). The assets at VKE do not constitute plan assets under IAS 19 (see Note 24) and are shown as non-current and current assets on the balance sheet. The majority of the diversified portfolio, consisting of money market instruments, bonds, real estate and equities, is held in investment funds managed by external fund managers. VKE is subject to the provisions of the Insurance Supervision Act ("Versicherungsaufsichtsgesetz" or "VAG") and its operations are supervised by the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"). Financial investments and continuous risk management are conducted within the regulatory confines set by BaFin. The three-month VaR with a 98-percent confidence interval for these financial assets was €35.3 million (2013: €35.8 million).

(32) Transactions with Related Parties

E.ON exchanges goods and services with a large number of companies as part of its continuing operations. Some of these companies are related parties, the most significant of which are associated companies accounted for under the equity method and their subsidiaries. Additionally reported as related parties are joint ventures, as well as equity interests carried at fair value and unconsolidated subsidiaries, which are of lesser importance as regards the extent of the transactions described in the following discussion. Transactions with related parties are summarized as follows:

Related-Party Transactions

€ in millions	2014	2013
Income	**1,753**	**2,082**
Associated companies	*1,480*	*1,825*
Joint ventures	*95*	*124*
Other related parties	*178*	*133*
Expenses	**1,697**	**1,603**
Associated companies	*1,395*	*1,184*
Joint ventures	*102*	*57*
Other related parties	*200*	*362*
Receivables	**1,740**	**1,624**
Associated companies	*1,057*	*1,074*
Joint ventures	*448*	*395*
Other related parties	*235*	*155*
Liabilities	**1,180**	**994**
Associated companies	*737*	*697*
Joint ventures	*63*	*34*
Other related parties	*380*	*263*

Income from transactions with related companies is generated mainly through the delivery of gas and electricity to distributors and municipal entities, especially municipal utilities. The relationships with these entities do not generally differ from those that exist with municipal entities in which E.ON does not have an interest.

Expenses from transactions with related companies are generated mainly through the procurement of gas, coal and electricity.

Receivables from related companies consist mainly of trade receivables.

Liabilities of E.ON payable to related companies as of December 31, 2014, include €368 million (2013: €828 million) in trade payables to operators of jointly-owned nuclear power plants. These payables bear interest at 1.0 percent or at one-month EURIBOR less 0.05 percent per annum (2013: 1.0 percent or one-month EURIBOR less 0.05 percent per annum) and have no fixed maturity. E.ON continues to have in place with these power plants a cost-transfer agreement and a cost-plus-fee agreement for the procurement of electricity. The settlement of such liabilities occurs mainly through clearing accounts.

Under IAS 24, compensation paid to key management personnel (members of the Board of Management and of the Supervisory Board of E.ON SE) must be disclosed.

The total expense for 2014 for members of the Board of Management amounted to €9.9 million (2013: €11.7 million) in short-term benefits and €0 million (2013: €3.3 million) in termination benefits, as well as €2.8 million (2013: €4.3 million) in post-employment benefits. Additionally taken into account in 2014 were actuarial losses of €11.7 million (2013: actuarial gains of €4.9 million). The cost of post-employment benefits is equal to the service and interest cost of the provisions for pensions.

The expense determined in accordance with IFRS 2 for the tranches of the E.ON Share Performance Plan and the E.ON Share Matching Plan in existence in 2014 was €6.0 million (2013: €3.3 million).

Provisions for the E.ON Share Performance Plan and the E.ON Share Matching Plan amounted to €10.4 million as of December 31, 2014 (2013: €5.9 million).

The members of the Supervisory Board received a total of €3.1 million for their activity in 2014 (2013: €3.2 million). Employee representatives on the Supervisory Board were paid compensation under the existing employment contracts with subsidiaries totaling €0.5 million (2013: €0.5 million).

Detailed, individualized information on compensation can be found in the Compensation Report on pages 81 through 95.

(33) Segment Information

Led by its Group Management in Düsseldorf, Germany, the E.ON Group ("E.ON" or the "Group") is segmented into global and regional units, which are reported here in accordance with IFRS 8, "Operating Segments" ("IFRS 8").

Global Units

The global units are reported separately in accordance with IFRS 8.

Generation

This global unit consists of the Group's conventional (fossil and nuclear) generation assets in Europe. It manages and optimizes these assets across national boundaries. Since the beginning of 2014, the Group's biomass generation activities are also reported here. The prior-year figures have been adjusted accordingly.

Renewables

E.ON also takes a global approach to managing its carbon-sourcing and renewables businesses. The objective at this unit is to extend the Group's leading position in the growing renewables market.

Global Commodities

As the link between E.ON and the world's wholesale energy markets, the Global Commodities global unit buys and sells electricity, natural gas, liquefied natural gas (LNG), oil, coal, freight, biomass, and carbon allowances. It additionally manages and develops facilities and contracts at different levels in the gas market's value chain.

Exploration & Production

E.ON's exploration and production business is a segment active in the focus regions North Sea (U.K., Norway) and Russia.

Regional Units

E.ON's distribution and sales operations in Europe are managed by nine regional units in total.

For segment reporting purposes, the Germany, UK, Sweden, Czechia and Hungary regional units are reported separately.

Those units not reported separately are instead reported collectively as "Other regional units." They include the France, Benelux, Slovakia and Romania units and, through December 2014, the Italy and Spain units (see Note 4 for further discussion of the Italy and Spain units). Additionally reported here since the fourth quarter of 2013 are the activities of E.ON Connecting Energies, which concentrates on providing decentralized, complete solutions.

E.ON's power generation business in Russia is presented outside Europe, as a special-focus region.

Since the beginning of 2013, the businesses in Brazil and the activities in Turkey acquired in the second quarter of 2013 are reported in the "Other Non-EU Countries" operating segment.

Group Management/Consolidation

Group Management/Consolidation contains E.ON SE itself, the interests held directly by E.ON SE, and the consolidation effects that take place at Group level.

EBITDA is the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. EBITDA is derived from income/loss before interest, taxes, depreciation and amortization (including impairments and reversals) and adjusted to exclude extraordinary effects. The adjustments include net book gains and restructuring/cost-management expenses, as well as impairments and other non-operating income and expenses. Income from investment subsidies for which liabilities are recognized is included in EBITDA.

Economic net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding extraordinary effects, namely, the portions of interest expense that are non-operating. Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Restructuring and cost-management expenses are non-recurring in nature. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the particular case, such income and expenses may affect different line items in the income statement. For example, effects from the marking to market of derivatives are included in other operating income and expenses, while impairment charges on property, plant and equipment are included in depreciation, amortization and impairments.

Due to the adjustments, the key figures by segment may differ from the corresponding IFRS figures reported in the Consolidated Financial Statements.

The following table shows the reconciliation of our EBITDA to net income/loss as reported in the IFRS Consolidated Financial Statements:

Net Income

€ in millions	2014	2013
EBITDA[1]	**8,337**	**9,191**
Depreciation and amortization	-3,553	-3,467
Impairments (-)/Reversals (+)[2]	-120	-100
EBIT[1]	**4,664**	**5,624**
Economic interest income (net)	-1,612	-1,874
Net book gains/losses	589	2,004
Restructuring/cost-management expenses	-133	-182
E.ON 2.0 restructuring expenses	-363	-368
Impairments (-)/Reversals (+)[2, 3]	-5,409	-1,643
Other non-operating earnings	-115	-482
Income/Loss from continuing operations before taxes	**-2,379**	**3,079**
Income taxes	-576	-718
Income/Loss from continuing operations	**-2,955**	**2,361**
Income from discontinued operations, net	-175	98
Net loss/income	**-3,130**	**2,459**
Attributable to shareholders of E.ON SE	*-3,160*	*2,091*
Attributable to non-controlling interests	*30*	*368*

[1]Adjusted for extraordinary effects.
[2]Impairments differ from the amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets.
[3]Recorded under non-operating earnings.

Net book gains in 2014 were approximately €1.4 billion below the prior-year level. In 2014, E.ON recorded book gains primarily on the sale of securities and on the disposals of an equity interest in a natural-gas utility in Germany, a majority stake in a gas company in the Czech Republic, an equity interest in a Finnish gas company and various micro thermal power plants in Sweden, as well as on the sale of network segments. The 2013 figure reflects, in particular, gains on the transfer of the hydroelectric power plants in Bavaria to Austria's Verbund AG in conjunction with the entry into the Turkish market. In addition, the disposals of E.ON Thüringer Energie AG, the equity interest in the Slovak energy company SPP, a minority interest in the company JMP in the Czech Republic and the Finnish activities, as well as the sale of securities, network segments and an equity interest in the gas business in Germany, all contributed to book gains.

Restructuring and cost-management expenses declined by €54 million from the previous year. As in 2013, the expenses were primarily attributable to the internally-initiated cost-reduction programs.

In both 2014 and 2013, E.ON's global and regional units were adversely affected by a generally deteriorated market environment, altered market assessments and regulatory intervention. As a consequence, impairment charges totaling €5.5 billion were recognized on the activities in the Generation global unit (€4.3 billion primarily in the United Kingdom, in Sweden and in Italy), within the Non-EU Countries segment (€0.5 billion), in Exploration & Production (€0.4 billion), in the Renewables unit (€0.2 billion) and in Global Commodities (€0.1 billion). These impairments were partially offset by reversals of impairments of approximately €0.1 billion at the Generation, Renewables and Global Commodities units. In 2013, impairment charges were recognized particularly at the Generation, Renewables, Global Commodities and Exploration & Production units and within the activities in the Non-EU Countries segment.

Other non-operating earnings include, among other things, the marking to market of derivatives used to shield the operating businesses from price fluctuations. As of December 31, 2014, this marking to market produced a positive effect of €540 million, compared with €777 million at year-end 2013. However, non-operating earnings were adversely affected in 2014 by write-downs on gas inventories and securities and within the activities in the Non-EU Countries, and by expenses incurred in connection with the bond buybacks. In 2013, other non-operating earnings were adversely affected by provisions in the gas business relating to divestitures and long-term contracts and to write-downs on securities.

An additional adjustment to the internal profit analysis relates to net interest income, which is presented based on economic considerations. Economic net interest income is calculated by taking the net interest income from the income statement and adjusting it using economic criteria and excluding certain extraordinary (that is, non-operating) effects.

Economic Net Interest Income

€ in millions	2014	2013
Interest and similar expenses (net) as shown in the Consolidated Statements of Income	-1,810	-1,992
Non-operating interest expense (+)/ income (-)	198	118
Economic interest income (net)	**-1,612**	**-1,874**

Due in large part to the improved net financial position and the reversal of provisions from previous years, economic net interest income, at -€1,612 million, was above its 2013 level of -€1,874 million.

Transactions within the E.ON Group are generally effected at market prices.

Financial Information by Business Segment

€ in millions	Generation 2014	Generation 2013	Renewables 2014	Renewables 2013	Global Commodities 2014	Global Commodities 2013
External sales	2,561	2,721	682	675	58,716	57,211
Intersegment sales	7,724	8,347	1,715	1,748	24,390	32,823
Sales	**10,285**	**11,068**	**2,397**	**2,423**	**83,106**	**90,034**
EBITDA[1]	**2,215**	**1,936**	**1,500**	**1,464**	**21**	**311**
Equity-method earnings[2]	*53*	*39*	*-3*	*12*	*128*	*157*
Operating cash flow before interest and taxes[3]	**1,769**	**1,458**	**1,161**	**1,582**	**-113**	**-1,809**
Investments	**862**	**1,067**	**1,222**	**861**	**115**	**151**

[1]Adjusted for extraordinary effects.
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.
[3]The operating cash flow of the Global Commodities unit was diminished in 2013 by the legal transfer in that year of gas distribution to the distribution companies held in the Germany regional unit. The operating cash flow of the Germany regional unit increased by a corresponding amount.

Financial Information by Business Segment—Presentation of Other EU Countries

€ in millions	UK 2014	UK 2013	Sweden 2014	Sweden 2013	Czechia 2014	Czechia 2013
External sales	9,303	9,649	2,136	2,569	2,093	2,772
Intersegment sales	43	65	87	126	128	136
Sales	**9,346**	**9,714**	**2,223**	**2,695**	**2,221**	**2,908**
EBITDA[1]	**384**	**378**	**622**	**733**	**290**	**494**
Equity-method earnings[2]	–	–	*7*	*11*	*5*	*5*
Operating cash flow before interest and taxes	**546**	**492**	**601**	**691**	**322**	**533**
Investments	**121**	**106**	**331**	**404**	**141**	**163**

[1]Adjusted for extraordinary effects.
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.

Financial Information by Business Segment—Presentation of Non-EU Countries

€ in millions	Russia 2014	Russia 2013	Other Non-EU Countries 2014	Other Non-EU Countries 2013	Non-EU Countries 2014	Non-EU Countries 2013
External sales	1,518	1,865	–	–	1,518	1,865
Intersegment sales	–	–	–	–	0	0
Sales	**1,518**	**1,865**	**0**	**0**	**1,518**	**1,865**
EBITDA[1]	**517**	**687**	**-78**	**-154**	**439**	**533**
Equity-method earnings[2]	–	–	*-77*	*-139*	*-77*	*-139*
Operating cash flow before interest and taxes	**502**	**670**	**-11**	**-27**	**491**	**643**
Investments	**347**	**360**	**356**	**3,170**	**703**	**3,530**

[1]Adjusted for extraordinary effects.
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.

Exploration & Production		Germany		Other EU Countries		Non-EU Countries		Group Management/ Consolidation		E.ON Group	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1,639	1,630	27,955	35,535	18,249	19,832	1,518	1,865	236	219	111,556	119,688
479	421	629	986	746	783	–	–	-35,683	-45,108	0	0
2,118	**2,051**	**28,584**	**36,521**	**18,995**	**20,615**	**1,518**	**1,865**	**-35,447**	**-44,889**	**111,556**	**119,688**
1,136	**1,070**	**1,846**	**2,387**	**1,732**	**2,012**	**439**	**533**	**-552**	**-522**	**8,337**	**9,191**
9	*39*	*82*	*87*	*54*	*58*	*-77*	*-139*	*1*	*1*	*247*	*254*
1,081	**971**	**1,851**	**3,286**	**2,023**	**2,480**	**491**	**643**	**-43**	**-634**	**8,220**	**7,977**
64	**404**	**745**	**1,013**	**879**	**969**	**703**	**3,530**	**43**	**-3**	**4,633**	**7,992**

Hungary		Other regional units		Other EU Countries	
2014	2013	2014	2013	2014	2013
1,637	1,800	3,080	3,042	18,249	19,832
1	7	487	449	746	783
1,638	**1,807**	**3,567**	**3,491**	**18,995**	**20,615**
200	**195**	**236**	**212**	**1,732**	**2,012**
–	–	*42*	*42*	*54*	*58*
208	**225**	**346**	**539**	**2,023**	**2,480**
102	**117**	**184**	**179**	**879**	**969**

Financial Information by Business Segment—Presentation of Discontinued Operations

	Italy		Spain	
€ in millions	2014	2013	2014	2013
External sales	1,537	1,745	1,085	1,078
Intersegment sales	55	63	81	92
Sales	**1,592**	**1,808**	**1,166**	**1,170**
EBITDA[1]	**43**	**43**	**146**	**132**
Equity-method earnings[2]	*9*	*6*	–	–
Operating cash flow before interest and taxes	**70**	**58**	**190**	**156**
Investments	**3**	**6**	**63**	**81**

[1]Adjusted for extraordinary effects.
[2]Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets (and any reversals of such charges) are included in income/loss from companies accounted for under the equity method and financial results, respectively. These income effects are not part of EBITDA.

The following table shows the reconciliation of operating cash flow before interest and taxes to operating cash flow:

Operating Cash Flow			
€ in millions	2014[1]	2013[1]	Difference
Operating cash flow before interest and taxes	**8,220**	**7,977**	**243**
Interest payments	-1,049	-756	-293
Tax payments	-918	-961	43
Operating cash flow	**6,253**	**6,260**	**-7**

[1]Operating cash flow from continuing operations.

The investments presented in the financial information by business segment tables are the purchases of investments reported in the Consolidated Statements of Cash Flows.

Additional Entity-Level Disclosures

External sales by product break down as follows:

Segment Information by Product		
€ in millions	2014	2013
Electricity	55,033	56,918
Gas	50,726	57,216
Other	5,797	5,554
Total	**111,556**	**119,688**

The "Other" item consists in particular of revenues generated from services and from other trading activities.

The following table breaks down external sales (by customer and seller location), intangible assets and property, plant and equipment, as well as companies accounted for under the equity method, by geographic area:

Geographic Segment Information	Germany		United Kingdom		Sweden		Europe (other)		Other		Total	
€ in millions	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External sales by location of customer	41,605	47,624	32,854	37,896	3,279	3,813	31,012	29,444	2,806	911	111,556	119,688
External sales by location of seller	86,867	93,626	9,700	10,006	2,357	2,748	10,780	13,091	1,852	217	111,556	119,688
Intangible assets	1,556	1,606	426	362	184	182	2,499	4,201	217	297	4,882	6,648
Property, plant and equipment	15,319	15,145	5,650	6,314	7,681	9,391	10,423	16,734	2,200	2,499	41,273	50,083
Companies accounted for under the equity method	1,615	2,092	–	–	259	245	2,865	3,205	270	110	5,009	5,652

E.ON's customer structure did not result in any major concentration in any given geographical region or business area. Due to the large number of customers the Company serves and the variety of its business activities, there are no individual customers whose business volume is material compared with the Company's total business volume.

(34) Compensation of Supervisory Board and Board of Management

Supervisory Board

Total remuneration to members of the Supervisory Board in 2014 amounted to €3.1 million (2013: €3.2 million).

As in 2013, there were no loans to members of the Supervisory Board in 2014.

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on page 95 in the Compensation Report.

Additional information about the members of the Supervisory Board is provided on pages 216 and 217.

Board of Management

Total remuneration to members of the Board of Management in 2014 amounted to €16.2 million (2013: €18.1 million). This consisted of base salary, bonuses, other compensation elements and share-based payments.

Total payments to former members of the Board of Management and their beneficiaries amounted to €10.2 million (2013: €14.5 million). Provisions of €175.0 million (2013: €158.0 million) have been established for the pension obligations to former members of the Board of Management and their beneficiaries.

As in 2013, there were no loans to members of the Board of Management in 2014.

The Board of Management's compensation structure and the amounts for each member of the Board of Management are presented on pages 81 through 95 in the Compensation Report.

Additional information about the members of the Board of Management is provided on page 218.

(35) Other Significant Issues

In February 2015, Italy's Constitutional Court ruled that the so-called "Robin Hood" tax was unconstitutional. This tax had been introduced in 2008 in order to limit the profits of utilities. In its decision, the Court expressly stated that its ruling would apply only to future issues.

On February 19, 2015, E.ON sold its Italian solar business to the private infrastructure investment fund manager F2i SGR. The activities sold comprise a total generating capacity of 49 MW and consist of seven solar plants that were constructed between 2010 and 2013. About 70 percent of the capacity is installed on Sardinia. E.ON and F2i SGR agreed not to disclose the purchase price.

Declaration of the Board of Management

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Group Management Report, which is combined with the management report of E.ON SE, provides a fair review of the development and performance of the business and the position of the E.ON Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, February 27, 2015

The Board of Management

Teyssen

Birnbaum

Kildahl

Reutersberg

Schäfer

Winkel

(36) List of Shareholdings Pursuant to Section 313 (2) HGB

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
:agile accelerator GmbH, DE, Düsseldorf[2]	100.0
AB Svafo, SE, Stockholm[6]	22.0
Abfallwirtschaft Schleswig-Flensburg GmbH, DE, Schleswig[6]	49.0
Abfallwirtschaft Südholstein GmbH (AWSH), DE, Elmenhorst[6]	49.0
Abfallwirtschaftsgesellschaft Dithmarschen mbH, DE, Heide[6]	49.0
Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH, DE, Borgstedt[6]	49.0
Abwasser und Service Burg, Hochdonn GmbH, DE, Burg[6]	44.0
Abwasser und Service Mittelangeln GmbH, DE, Satrup[6]	33.3
Abwasserbeseitigung Nortorf-Land GmbH, DE, Nortorf[6]	49.0
Abwasserentsorgung Albersdorf GmbH, DE, Albersdorf[6]	49.0
Abwasserentsorgung Amt Achterwehr GmbH, DE, Achterwehr[6]	49.0
Abwasserentsorgung Bargteheide GmbH, DE, Bargteheide[6]	27.0
Abwasserentsorgung Berkenthin GmbH, DE, Berkenthin[6]	44.0
Abwasserentsorgung Bleckede GmbH, DE, Bleckede[6]	49.0
Abwasserentsorgung Brunsbüttel GmbH (ABG), DE, Brunsbüttel[6]	49.0
Abwasserentsorgung Friedrichskoog GmbH, DE, Friedrichskoog[6]	49.0
Abwasserentsorgung Kappeln GmbH, DE, Kappeln[6]	49.0
Abwasserentsorgung Kropp GmbH, DE, Kropp[6]	49.0
Abwasserentsorgung Marne-Land GmbH, DE, Diekhusen-Fahrstedt[6]	49.0
Abwasserentsorgung Schladen GmbH, DE, Schladen[6]	49.0
Abwasserentsorgung Schöppenstedt GmbH, DE, Schöppenstedt[6]	49.0
Abwasserentsorgung St. Michaelisdonn, Averlak, Dingen, Eddelak GmbH, DE, St. Michaelisdonn[6]	25.1
Abwasserentsorgung Tellingstedt GmbH, DE, Tellingstedt[6]	25.0
Abwasserentsorgung Uetersen GmbH, DE, Uetersen[6]	49.0
Abwassergesellschaft Bardowick mbH & Co. KG, DE, Bardowick[6]	49.0
Abwassergesellschaft Bardowick Verwaltungs-GmbH, DE, Bardowick[6]	49.0
Abwassergesellschaft Gehrden mbH, DE, Gehrden[6]	49.0
Abwassergesellschaft Ilmenau mbH, DE, Melbeck[6]	49.0
Abwasserwirtschaft Fichtelberg GmbH, DE, Fichtelberg[6]	25.0
Abwasserwirtschaft Kunstadt GmbH, DE, Burgkunstadt[6]	30.0
Acme Group Limited, GB, Bury[1]	100.0
Acme Technical Services Limited, GB, Bury[1]	100.0
Adria LNG d.o.o. za izradu studija, HR, Zagreb[6]	39.2
Aerodis, S.A., FR, Paris[1]	100.0
Alamo Solar, LLC, US, Wilmington[2]	100.0
Åliden Vind AB, SE, Malmö[2]	100.0
Anacacho Wind Farm, LLC, US, Wilmington[1]	100.0
ANCO Sp. z o.o., PL, Jarocin[2]	100.0
Aquila Power Investments Limited, GB, Coventry[2]	100.0
Aquila Sterling Limited, GB, Coventry[2]	100.0
AS Latvijas Gāze, LV, Riga[5]	47.2
Atrium 72. Europäische VV SE, DE, Düsseldorf[2]	100.0
AV Packaging GmbH, DE, Munich[1]	0.0
Avacon AG, DE, Helmstedt[1]	63.1
Avacon Hochdrucknetz GmbH, DE, Helmstedt[1]	100.0
Avacon Natur GmbH, DE, Sarstedt[1]	100.0
Avon Energy Partners Holdings, GB, Coventry[2]	100.0
AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Hamburg[2]	98.0
B.V. NEA, NL, Dodewaard[6]	25.0
Badlantic Betriebsgesellschaft mbH, DE, Ahrensburg[6]	49.0
Barras Eléctricas Galaico-Asturianas, S.A., ES, Lugo[1]	54.9
BauMineral GmbH, DE, Herten[1, 8]	100.0
Bayernwerk AG, DE, Regensburg[1]	100.0
Bayernwerk Energiedienstleistungen Licht GmbH, DE, Regensburg[2]	100.0
Bayernwerk Natur 1. Beteiligungs-GmbH, DE, Regensburg[2]	100.0
Bayernwerk Natur GmbH, DE, Unterschleißheim[1]	100.0
BBL Company V.O.F., NL, Groningen[5]	20.0
Beacon Solar PV, LLC, US, Wilmington[2]	100.0
Bergeforsens Kraftaktiebolag, SE, Bispgården[5]	40.0
Beteiligungsgesellschaft der Energieversorgungsunternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Karlsruhe[6]	47.4
Beteiligungsgesellschaft e.disnatur mbH, DE, Potsdam[2]	100.0
BEW Bayreuther Energie- und Wasserversorgungs-GmbH, DE, Bayreuth[5]	24.9
BHL Biomasse Heizanlage Lichtenfels GmbH, DE, Lichtenfels[6]	25.1
BHO Biomasse Heizanlage Obernsees GmbH, DE, Hollfeld[6]	40.7
BHP Biomasse Heizwerk Pegnitz GmbH, DE, Pegnitz[6]	46.5
Bio-Wärme Gräfelfing GmbH, DE, Gräfelfing[6]	40.0
Bioenergie Bad Füssing GmbH & Co. KG, DE, Bad Füssing[6]	25.0
Bioenergie Bad Füssing Verwaltungs-GmbH, DE, Bad Füssing[6]	25.0
Bioenergie Merzig GmbH, DE, Merzig[2]	51.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. · [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]IFRS figures.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
Bioerdgas Hallertau GmbH, DE, Wolnzach[2]	64.9
Bioerdgas Schwandorf GmbH, DE, Schwandorf[2]	100.0
Biogas Ducherow GmbH, DE, Ducherow[2]	80.0
Biogas Steyerberg GmbH, DE, Sarstedt[2]	100.0
Bioheizwerk Rötz GmbH, DE, Rötz[6]	25.0
BIOPLYN Třeboň spol. s r.o., CZ, Třeboň[6]	24.7
Biunisi Solar S.r.l., IT, Sassari[2]	100.0
BKW Biokraftwerke Fürstenwalde GmbH, DE, Fürstenwalde/Spree[6]	48.8
Blåsjön Kraft AB, SE, Arbrå[5]	50.0
BMV Energie Beteiligungs GmbH, DE, Fürstenwalde/Spree[2]	100.0
BMV Energie GmbH & Co. KG, DE, Fürstenwalde/Spree[6]	41.8
Boiling Springs Wind Farm, LLC, US, Wilmington[2]	100.0
Braila Power S.A., RO, Chiscani village[2]	69.8
Brattmyrliden Vind AB, SE, Malmö[2]	100.0
Breitbandnetz GmbH & Co. KG, DE, Breklum[6]	20.0
Brunnshög Energi AB, SE, Malmö[2]	100.0
BTB Bayreuther Thermalbad GmbH, DE, Bayreuth[6]	33.3
Bursjöliden Vind AB, SE, Malmö[2]	100.0
Bützower Wärme GmbH, DE, Bützow[6]	20.0
Carbiogas b.v., NL, Nuenen[6]	33.3
Cardinal Wind Farm LLC, US, Wilmington[2]	100.0
Cattleman Wind Farm, LLC, US, Wilmington[2]	100.0
Celle-Uelzen Netz GmbH, DE, Celle[1]	97.5
Celsium Sp. z o.o., PL, Skarżysko-Kamienna[2]	87.8
Centrale Solare di Fiumesanto S.r.l., IT, Sassari[1]	100.0
Centro Energia Ferrara S.p.A, IT, Rome[5]	58.4
Centro Energia Teverola S.p.A, IT, Rome[5]	58.4
Českomoravská distribuce s.r.o., CZ, České Budějovice[6]	50.0
Champion WF Holdco, LLC, US, Wilmington[1]	100.0
Champion Wind Farm, LLC, US, Wilmington[1]	100.0
CHN Contractors Limited, GB, Coventry[2]	100.0
CHN Electrical Services Limited, GB, Coventry[2]	100.0
CHN Group Ltd, GB, Coventry[2]	100.0
CHN Special Projects Limited, GB, Coventry[2]	100.0
Citigen (London) Limited, GB, Coventry[1]	100.0
Colonia-Cluj-Napoca-Energie S.R.L., RO, Cluj[6]	33.3
COMPAÑÍA EÓLICA ARAGONESA, S.A., ES, Zaragoza[4]	50.0
Cordova Wind Farm, LLC, US, Wilmington[2]	100.0
Cottam Development Centre Limited, GB, Coventry[1]	100.0
CT Services Holdings Limited, GB, Coventry[2]	100.0
Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[6]	50.0
DD Brazil Holdings S.à r.l., LU, Luxembourg[1]	100.0
DD Turkey Holdings S.à r.l., LU, Luxembourg[1]	100.0
Deutsche Flüssigerdgas Terminal oHG, DE, Essen[2]	90.0
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[6]	42.5
DFTG - Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, DE, Wilhelmshaven[2]	90.0
Distribuidora de Gas Cuyana S.A., AR, Mendoza[6]	53.2
Distribuidora de Gas del Centro S.A., AR, Córdoba[6]	58.7
DKCE Debreceni Kombinált Ciklusú Erőmű Kft., HU, Debrecen[2]	100.0
Donau-Wasserkraft Aktiengesellschaft, DE, Munich[1]	100.0
DOTI Deutsche-Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, DE, Oldenburg[5]	26.3
DOTI Management GmbH, DE, Oldenburg[6]	26.3
DOTTO MORCONE S.r.l., IT, Milan[2]	100.0
Dutchdelta Finance S.à r.l., LU, Luxembourg[1]	100.0
E WIE EINFACH GmbH, DE, Cologne[1]	100.0
E-Bio Kyjov s.r.o., CZ, Otrokovice[2]	100.0
e.dialog GmbH, DE, Potsdam[2]	100.0
E.DIS AG, DE, Fürstenwalde/Spree[1]	67.0
e.discom Telekommunikation GmbH, DE, Rostock[2]	100.0
e.disnatur Erneuerbare Energien GmbH, DE, Potsdam[1]	100.0
e.distherm Wärmedienstleistungen GmbH, DE, Schönefeld[1]	100.0
E.ON 10. Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Achtzehnte Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Anlagenservice GmbH, DE, Gelsenkirchen[1]	100.0
E.ON Argentina S.A., AR, Buenos Aires[2]	100.0
E.ON Asset Management GmbH & Co. EEA KG, DE, Grünwald[1, 8]	100.0
E.ON Austria GmbH, AT, Vienna[1]	75.1
E.ON Bayern Verwaltungs AG, DE, Munich[2]	100.0
E.ON Belgium N.V., BE, Brussels[1]	100.0
E.ON Benelux CCS Project B.V., NL, Rotterdam[2]	100.0
E.ON Benelux Geothermie B.V., NL, Rotterdam[2]	100.0
E.ON Benelux Holding b.v., NL, Rotterdam[1]	100.0
E.ON Benelux Levering b.v., NL, Eindhoven[1]	100.0
E.ON Benelux N.V., NL, Rotterdam[1]	100.0
E.ON Beteiligungen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Bioerdgas GmbH, DE, Essen[1]	100.0
E.ON Biofor Sverige AB, SE, Malmö[1]	100.0
E.ON Brasil Energia LTDA., BR, City of São Paulo[2]	100.0
E.ON Business Services Benelux B.V., NL, Rotterdam[2]	100.0
E.ON Business Services Berlin GmbH, DE, Berlin[2]	100.0
E.ON Business Services Cluj S.R.L., RO, Cluj[2]	100.0
E.ON Business Services Czech Republic s.r.o., CZ, České Budějovice[2]	100.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. · [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]IFRS figures.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
E.ON Business Services GmbH, DE, Hanover[1]	100.0
E.ON Business Services Hannover GmbH, DE, Hanover[2]	100.0
E.ON Business Services Hungary Kft., HU, Budapest[2]	100.0
E.ON Business Services Iași S.R.L., RO, Iași[2]	100.0
E.ON Business Services Italia S.r.l., IT, Milan[2]	100.0
E.ON Business Services Regensburg GmbH, DE, Regensburg[2]	100.0
E.ON Business Services Slovakia spol. s.r.o., SK, Bratislava[2]	51.0
E.ON Business Services Sverige AB, SE, Malmö[2]	100.0
E.ON Carbon Sourcing North America LLC, US, Wilmington[2]	100.0
E.ON Česká republika, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Citiri Contoare S.A., RO, Târgu Mureş[2]	100.0
E.ON Climate & Renewables Canada Ltd., CA, Saint John[1]	100.0
E.ON Climate & Renewables Carbon Sourcing Limited, GB, Coventry[2]	100.0
E.ON Climate & Renewables Carbon Sourcing Pte Ltd, SG, Singapore[2]	100.0
E.ON Climate & Renewables France Solar S.A.S., FR, Paris[1]	100.0
E.ON Climate & Renewables GmbH, DE, Essen[1]	100.0
E.ON Climate & Renewables Italia S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables Italia Solar S.r.l., IT, Milan[1]	100.0
E.ON Climate & Renewables North America LLC, US, Wilmington[1]	100.0
E.ON Climate & Renewables UK Biomass Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Blyth Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Developments Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Humber Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK London Array Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Operations Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Rampion Offshore Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg East Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Robin Rigg West Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Wind Limited, GB, Coventry[1]	100.0
E.ON Climate & Renewables UK Zone Six Limited, GB, Coventry[1]	100.0
E.ON Comercializadora de Último Recurso S.L., ES, Santander[1]	100.0
E.ON Connecting Energies GmbH, DE, Essen[1, 8]	100.0
E.ON Connecting Energies Italia S.r.l., IT, Milan[2]	100.0
E.ON Connecting Energies Limited, GB, Coventry[1]	100.0
E.ON (Cross-Border) Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON Czech Holding AG, DE, Munich[1, 8]	100.0
E.ON Danmark A/S, DK, Frederiksberg[1]	100.0
E.ON Dél-dunántúli Áramhálózati Zrt., HU, Pécs[1]	100.0
E.ON Dél-dunántúli Gázhálózati Zrt., HU, Pécs[1]	100.0
E.ON Distribuce, a.s., CZ, České Budějovice[1]	100.0
E.ON Distribución, S.L., ES, Santander[1]	100.0
E.ON Distributie România S.A., RO, Târgu Mureş[1]	61.8
E.ON E&P Algeria GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON E&P Norge AS, NO, Stavanger[1]	100.0
E.ON E&P UK Energy Trading Limited, GB, London[1]	100.0
E.ON E&P UK EU Limited, GB, London[1]	100.0
E.ON E&P UK Limited, GB, London[1]	100.0
E.ON edis Contracting GmbH, DE, Fürstenwalde/Spree[2]	100.0
E.ON edis energia Sp. z o.o., PL, Warsaw[1]	100.0
E.ON Elektrárne s.r.o., SK, Trakovice[1]	100.0
E.ON Elnät Kramfors AB, SE, Malmö[1]	100.0
E.ON Elnät Stockholm AB, SE, Malmö[1]	100.0
E.ON Elnät Sverige AB, SE, Malmö[1]	100.0
E.ON Energia S.p.A., IT, Milan[1]	100.0
E.ON Energía, S.L., ES, Santander[1]	100.0
E.ON Energiakereskedelmi Kft, HU, Budapest[1]	100.0
E.ON Energiaszolgáltató Kft., HU, Budapest[1]	100.0
E.ON Energiatermelő Kft., HU, Debrecen[1]	100.0
E.ON Energie 25. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 38. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie 39. Beteiligungs-GmbH, DE, Munich[2]	100.0
E.ON Energie AG, DE, Düsseldorf[1, 8]	100.0
E.ON Energie Deutschland GmbH, DE, Munich[1]	100.0
E.ON Energie Deutschland Holding GmbH, DE, Munich[1]	99.8
E.ON Energie Dialog GmbH, DE, Potsdam[2]	100.0
E.ON Energie Kundenservice GmbH, DE, Landshut[1]	100.0
E.ON Energie Odnawialne Sp. z o.o., PL, Szczecin[1]	100.0
E.ON Energie Real Estate Investment GmbH, DE, Munich[2]	100.0
E.ON Energie România S.A., RO, Târgu Mureş[1]	53.4
E.ON Energie, a.s., CZ, České Budějovice[1]	100.0
E.ON Energies Renouvelables S.A.S., FR, Paris[1]	100.0
E.ON Energihandel Nordic AB, SE, Malmö[1]	100.0
E.ON Energy Gas (Eastern) Limited, GB, Coventry[2]	100.0
E.ON Energy Gas (Northwest) Limited, GB, Coventry[2]	100.0
E.ON Energy Projects GmbH, DE, Munich[1]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
E.ON Energy Sales GmbH, DE, Düsseldorf[1]	100.0
E.ON Energy Sales Polska Sp. z o.o., PL, Warsaw[2]	100.0
E.ON Energy Services, LLC, US, Wilmington[2]	100.0
E.ON Energy Solutions GmbH, DE, Unterschleißheim[2]	100.0
E.ON Energy Solutions Limited, GB, Coventry[1]	100.0
E.ON Energy Southern Africa (Pty) Ltd., ZA, Sandton[2]	100.0
E.ON Energy Storage GmbH, DE, Essen[2]	100.0
E.ON Energy Trading NL Staff Company 2 B.V., NL, Rotterdam[2]	100.0
E.ON Energy Trading NL Staff Company B.V., NL, Rotterdam[2]	100.0
E.ON Energy Trading S.p.A., IT, Milan[1]	100.0
E.ON Energy Trading Srbija d.o.o., RS, Belgrade[2]	100.0
E.ON Energy Trading UK Staff Company Limited, GB, Coventry[1]	100.0
E.ON Energy UK Limited, GB, Coventry[2]	100.0
E.ON Erőművek Termelő és Üzemeltető Kft., HU, Budapest[1]	100.0
E.ON España, S.L., ES, Santander[1]	100.0
E.ON Észak-dunántúli Áramhálózati Zrt., HU, Győr[1]	100.0
E.ON Europa, S.L., ES, Santander[2]	100.0
E.ON Exploration & Production GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Facility Management GmbH, DE, Munich[1, 8]	100.0
E.ON Fastigheter Sverige AB, SE, Malmö[1]	100.0
E.ON Fernwärme GmbH, DE, Gelsenkirchen[1]	100.0
E.ON Finanzanlagen GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON First Future Energy Holding B.V., NL, Rotterdam[1]	100.0
E.ON Försäkring Sverige AB, SE, Malmö[1]	100.0
E.ON Försäljning Sverige AB, SE, Malmö[1]	100.0
E.ON France Energy Solutions S.A.S, FR, Paris[1]	100.0
E.ON France Power S.A.S, FR, Paris[1]	100.0
E.ON France S.A.S, FR, Paris[1]	100.0
E.ON Gas Mobil GmbH, DE, Essen[2]	100.0
E.ON Gas Storage GmbH, DE, Essen[1]	100.0
E.ON Gas Storage UK Limited, GB, Coventry[1]	100.0
E.ON Gas Sverige AB, SE, Malmö[1]	100.0
E.ON Gashandel Sverige AB, SE, Malmö[1]	100.0
E.ON Gasification Development AB, SE, Malmö[1]	100.0
E.ON Gazdasági Szolgáltató Kft., HU, Győr[1]	100.0
E.ON Generación, S.L., ES, Santander[1]	100.0
E.ON Generation Belgium N.V., BE, Vilvoorde[1]	100.0
E.ON Generation GmbH, DE, Hanover[1]	100.0
E.ON Global Commodities North America LLC, US, Wilmington[1]	100.0
E.ON Global Commodities SE, DE, Düsseldorf[1]	100.0
E.ON Gruga Geschäftsführungsgesellschaft mbH, DE, Düsseldorf[2]	100.0
E.ON Gruga Objektgesellschaft mbH & Co. KG, DE, Düsseldorf[1, 8]	100.0
E.ON Hálózati Szolgáltató Kft."v.a.", HU, Pécs[2]	100.0
E.ON Human Resources International GmbH, DE, Hanover[1, 8]	100.0
E.ON Hungária Energetikai Zártkörűen Működő Részvénytársaság, HU, Budapest[1]	100.0
E.ON Iberia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Iberia Services, S.L., ES, Málaga[1]	100.0
E.ON Inhouse Consulting GmbH, DE, Essen[2]	100.0
E.ON Innovation Co-Investments Inc., US, Wilmington[2]	100.0
E.ON INTERNATIONAL FINANCE B.V., NL, Rotterdam[1]	100.0
E.ON Invest GmbH, DE, Grünwald[2]	100.0
E.ON IT UK Limited, GB, Coventry[2]	100.0
E.ON Italia S.p.A, IT, Milan[1]	100.0
E.ON Kärnkraft Finland AB, FI, Kajaani[2]	100.0
E.ON Kärnkraft Sverige AB, SE, Malmö[1]	100.0
E.ON Kernkraft GmbH, DE, Hanover[1]	100.0
E.ON Közép-dunántúli Gázhálózati Zrt., HU, Nagykanizsa[1]	99.8
E.ON Kraftwerke 6. Beteiligungs-GmbH, DE, Hanover[2]	100.0
E.ON Kraftwerke GmbH, DE, Hanover[1]	100.0
E.ON Kundenservice GmbH, DE, Landshut[1]	100.0
E.ON Kundsupport Sverige AB, SE, Malmö[1]	100.0
E.ON Limited, GB, Coventry[2]	100.0
E.ON Mälarkraft Värme AB, SE, Örebro[1]	99.8
E.ON Metering GmbH, DE, Unterschleißheim[2]	100.0
E.ON NA Capital LLC, US, Wilmington[1]	100.0
E.ON NA Investments LLC, US, Wilmington[1]	100.0
E.ON New Build & Technology B.V., NL, Rotterdam[2]	100.0
E.ON New Build & Technology BVBA, BE, Vilvoorde[2]	100.0
E.ON Nord Sverige AB, SE, Stockholm[1]	100.0
E.ON Nordic AB, SE, Malmö[1]	100.0
E.ON Off Grid Solution GmbH, DE, Düsseldorf[2]	100.0
E.ON Perspekt GmbH, DE, Düsseldorf[2]	100.0
E.ON Portfolio Solution GmbH, DE, Düsseldorf[2]	100.0
E.ON Power Innovation Pty Ltd, AU, Brisbane[2]	100.0
E.ON Power Plants Belgium BVBA, BE, Brussels[2]	100.0
E.ON Produktion Danmark A/S, DK, Frederiksberg[1]	100.0
E.ON Produzione Centrale Livorno Ferraris S.p.A., IT, Milan[1]	75.0
E.ON Produzione S.p.A., IT, Sassari[1]	100.0
E.ON Project Earth Limited, GB, Coventry[1]	100.0
E.ON Provence Biomasse S.A.R.L, FR, Paris[2]	100.0
E.ON RAG Beteiligungsgesellschaft mbH, DE, Düsseldorf[1]	100.0
E.ON RE Investments LLC, US, Wilmington[1]	100.0
E.ON Real Estate GmbH, DE, Essen[2]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
E.ON Regenerabile România S.R.L., RO, Iaşi[2]	100.0
E.ON Renovables Financiera, S.L., ES, Madrid[2]	100.0
E.ON Renovables, S.L., ES, Madrid[1]	100.0
E.ON Renovaveis Portugal, SGPS S.A., PT, Lisbon[1]	100.0
E.ON Retail Limited, GB, Coventry[2]	100.0
E.ON Rhein-Ruhr Ausbildungs-GmbH, DE, Essen[2]	100.0
E.ON Risk Consulting GmbH, DE, Düsseldorf[1]	100.0
E.ON România S.R.L., RO, Târgu Mureş[1]	90.2
E.ON Ruhrgas Austria GmbH, AT, Vienna[1]	100.0
E.ON Ruhrgas BBL B.V., NL, Rotterdam[1]	100.0
E.ON Ruhrgas GPA GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas International GmbH, DE, Essen[1, 8]	100.0
E.ON Ruhrgas Nigeria Limited, NG, Abuja[2]	100.0
E.ON Ruhrgas Portfolio GmbH, DE, Essen[1, 8]	100.0
E.ON Russia Beteiligungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Russia Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Sechzehnte Verwaltungs GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Service GmbH, DE, Essen[2]	100.0
E.ON Servicii Clienti S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicii S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servicii Tehnice S.R.L., RO, Târgu Mureş[1]	100.0
E.ON Servisní, s.r.o., CZ, České Budějovice[1]	100.0
E.ON Slovensko, a.s., SK, Bratislava[1]	100.0
E.ON Smart Living AB, SE, Malmö[1]	100.0
E.ON Sverige AB, SE, Malmö[1]	100.0
E.ON Technologies (Ratcliffe) Limited, GB, Coventry[1]	100.0
E.ON Technologies GmbH, DE, Gelsenkirchen[1]	100.0
E.ON Tiszántúli Áramhálózati Zrt., HU, Debrecen[1]	100.0
E.ON Trend s.r.o., CZ, České Budějovice[1]	100.0
E.ON Turkey Enerji Anonim Şirketi, TR, Istanbul[2]	100.0
E.ON Ügyfélszolgálati Kft., HU, Budapest[1]	100.0
E.ON UK CHP Limited, GB, Coventry[1]	100.0
E.ON UK CoGeneration Limited, GB, Coventry[1]	100.0
E.ON UK Directors Limited, GB, Coventry[2]	100.0
E.ON UK Energy Lincoln Limited, GB, Coventry[2]	100.0
E.ON UK Energy Services Limited, GB, Coventry[2]	100.0
E.ON UK Gas Limited, GB, Coventry[1]	100.0
E.ON UK Holding Company Limited, GB, Coventry[1]	100.0
E.ON UK Industrial Shipping Limited, GB, Coventry[2]	100.0
E.ON UK Ironbridge Limited, GB, Coventry[2]	100.0
E.ON UK Pension Trustees Limited, GB, Coventry[2]	100.0
E.ON UK plc, GB, Coventry[1]	100.0
E.ON UK Property Services Limited, GB, Coventry[2]	100.0
E.ON UK PS Limited, GB, Coventry[2]	100.0
E.ON UK Retail Limited, GB, Coventry[2]	100.0
E.ON UK Secretaries Limited, GB, Coventry[2]	100.0
E.ON UK Technical Services Limited, GB, Edinburgh[2]	100.0
E.ON UK Trustees Limited, GB, Coventry[2]	100.0
E.ON US Corporation, US, Wilmington[1]	100.0
E.ON US Energy LLC, US, Wilmington[1]	100.0
E.ON US Holding GmbH, DE, Düsseldorf[1, 8]	100.0
E.ON Varme Danmark ApS, DK, Frederiksberg[1]	100.0
E.ON Värme Sverige AB, SE, Malmö[1]	100.0
E.ON Värme Timrå AB, SE, Sundsvall[1]	90.9
E.ON Värmekraft Sverige AB, SE, Malmö[1]	100.0
E.ON Vattenkraft Sverige AB, SE, Sundsvall[1]	100.0
E.ON Verwaltungs AG Nr. 1, DE, Munich[2]	100.0
E.ON Vierundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
E.ON Wind Denmark AB, SE, Malmö[2]	100.0
E.ON Wind Kårehamn AB, SE, Malmö[1]	100.0
E.ON Wind Norway AB, SE, Malmö[2]	100.0
E.ON Wind Resources AB, SE, Malmö[2]	100.0
E.ON Wind Services A/S, DK, Rødby[1]	100.0
E.ON Wind Sweden AB, SE, Malmö[1]	100.0
E.ON Zweiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
East Midlands Electricity Distribution Holdings, GB, Coventry[2]	100.0
East Midlands Electricity Distribution Limited, GB, Coventry[2]	100.0
East Midlands Electricity Generation (Corby) Limited, GB, Coventry[1]	100.0
East Midlands Electricity Limited, GB, Coventry[1]	100.0
East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2]	100.0
EASYCHARGE.me GmbH, DE, Düsseldorf[2]	100.0
EAV Beteiligungs-GmbH, DE, Helmstedt[1]	100.0
EBY Immobilien GmbH & Co. KG, DE, Regensburg[2]	100.0
EBY kaufmännische Energiedienstleistungen GmbH, DE, Regensburg[2]	100.0
EBY Port 1 GmbH, DE, Munich[1]	100.0
EBY Port 3 GmbH, DE, Regensburg[1]	100.0
EBY Port 5 GmbH, DE, Regensburg[2]	100.0
EBY technische Energiedienstleistungen GmbH, DE, Regensburg[2]	100.0
EC&R Asset Management, LLC, US, Wilmington[1]	100.0
EC&R Canada Ltd., CA, Saint John[1]	100.0
EC&R Development, LLC, US, Wilmington[1]	100.0
EC&R Energy Marketing, LLC, US, Wilmington[1]	100.0
EC&R Ft. Huachuca Solar, LLC, US, Wilmington[2]	100.0

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Name, location	Stake (%)
EC&R Grandview Holdco LLC, US, Wilmington[2]	100.0
EC&R Investco EPC Mgmt, LLC, US, Wilmington[2]	100.0
EC&R Investco Mgmt II, LLC, US, Wilmington[1]	100.0
EC&R Investco Mgmt, LLC, US, Wilmington[1]	100.0
EC&R Magicat Holdco, LLC, US, Wilmington[1]	100.0
EC&R NA Solar PV, LLC, US, Wilmington[2]	100.0
EC&R O&M, LLC, US, Wilmington[1]	100.0
EC&R Panther Creek Wind Farm III, LLC, US, Wilmington[1]	100.0
EC&R QSE, LLC, US, Wilmington[1]	100.0
EC&R Services, LLC, US, Wilmington[1]	100.0
EC&R Sherman, LLC, US, Wilmington[2]	100.0
EC&R Solar Development, LLC, US, Wilmington[2]	100.0
Economy Power Limited, GB, Coventry[1]	100.0
EEP 2. Beteiligungsgesellschaft mbH, DE, Munich[2]	100.0
EEP Kraftwerksgesellschaft Obernburg mbH, DE, Munich[2]	100.0
EFG Erdgas Forchheim GmbH, DE, Forchheim[6]	24.9
EFR CEE Szolgáltató Kft., HU, Budapest[6]	25.0
EFR Europäische Funk-Rundsteuerung GmbH, DE, Munich[6]	39.9
EGC UAE SUPPLY & PROCESSING LTD FZE, AE, Fujairah free zone[2]	100.0
EH-SZER Energetikai és Távközlési Hálózatépítő és Szerelő Kft., HU, Győr[1]	100.0
Ekopur d.o.o., SI, Ljubljana[2]	100.0
Elecdey CARCELÉN, S.A., ES, Albacete[5]	23.0
Electricity ON XXI, S.L., ES, Albacete[2]	100.0
Elektrizitätswerk Schwandorf GmbH, DE, Schwandorf[2]	100.0
Elevate Wind Holdco, LLC, US, Wilmington[4]	50.0
ELICA S.r.l., IT, Milan[2]	100.0
Elmregia GmbH, DE, Schöningen[6]	49.0
Első Magyar Szélerőmű Kft., HU, Kulcs[2]	74.7
Elverket Vallentuna AB, SE, Vallentuna[5]	43.4
EME Distribution No. 2 Limited, GB, Coventry[2]	100.0
ENACO Energieanlagen- und Kommunikationstechnik GmbH, DE, Maisach[6]	26.0
Energest S.r.l., IT, Mira (VE)[2]	100.0
Energetika Malenovice, a.s., CZ, Zlín-Malenovice[2]	100.0
Energetyka Cieplna Opolszczyzny S.A., PL, Opole[6]	45.7
Energia Eolica Sud S.r.l., IT, Milan[2]	100.0
Energie und Wasser Potsdam GmbH, DE, Potsdam[5]	35.0
Energie und Wasser Wahlstedt/Bad Segeberg GmbH & Co. KG (ews), DE, Bad Segeberg[6]	50.1
Energie-Agentur Weyhe GmbH, DE, Weyhe[6]	50.0
Energie-Wende-Garching GmbH & Co. KG, DE, Garching[6]	50.0
Energie-Wende-Garching Verwaltungs-GmbH, DE, Garching[6]	50.0
Energieerzeugungswerke Geesthacht GmbH, DE, Geesthacht[6]	33.4
Energienetze Bayern GmbH, DE, Regensburg[1]	100.0
Energienetze Schaafheim GmbH, DE, Regensburg[2]	100.0
Energieversorgung Alzenau GmbH (EVA), DE, Alzenau[6]	69.5
Energieversorgung Buching-Trauchgau (EBT) Gesellschaft mit beschränkter Haftung, DE, Halblech[6]	50.0
Energieversorgung Putzbrunn GmbH & Co. KG, DE, Putzbrunn[6]	50.0
Energieversorgung Putzbrunn Verwaltungs GmbH, DE, Putzbrunn[6]	50.0
Energieversorgung Sehnde GmbH, DE, Sehnde[6]	30.0
Energieversorgung Vechelde GmbH & Co KG, DE, Vechelde[6]	49.0
Energiewerke Isernhagen GmbH, DE, Isernhagen[6]	49.0
Energiewerke Osterburg GmbH, DE, Osterburg (Altmark)[6]	49.0
Energy Collection Services Limited, GB, Coventry[2]	100.0
Enerji Almanya GmbH, DE, Düsseldorf[2]	100.0
Enerjisa Enerji A.Ş., TR, Istanbul[4]	50.0
ENEVA Participações S.A., BR, Rio de Janeiro[4]	50.0
ENEVA S.A., BR, Rio de Janeiro[4]	42.9
Enfield Energy Centre Limited, GB, Coventry[2]	100.0
Eólica de Levante, S.L., ES, Alicante[6]	25.0
Eólica de São Julião, Lda, PT, Lisbon[5]	45.0
Eoliser Serviços de Gestão para parques eólicos, Lda, PT, Lisbon[1]	100.0
EOS PAX IIA, S.L., ES, Santiago de Compostela[5]	48.5
EPS Polska Holding Sp. z o.o., PL, Warsaw[1]	100.0
Ergon Energia S.r.l. in liquidazione, IT, Brescia[6]	50.0
Ergon Holding Company Limited, GB, Coventry[2]	100.0
Ergon Holdings Ltd, MT, St. Julians[1]	100.0
Ergon Insurance Ltd, MT, St. Julians[1]	100.0
Ergon Nominees Limited, GB, Coventry[2]	100.0
Ergon Overseas Holdings Limited, GB, Coventry[1]	100.0
Ergosud S.p.A., IT, Rome[3]	50.0
ESN EnergieSystemeNord GmbH, DE, Schwentinental[6]	47.5
Esperanto Infrastructure II S.à r.l., LU, Luxembourg[5]	49.0
etatherm GmbH, DE, Potsdam[6]	25.5
Etzel Gas-Lager GmbH & Co. KG, DE, Friedeburg-Etzel[5]	75.2
Etzel Gas-Lager Management GmbH, DE, Friedeburg-Etzel[6]	75.2
Evantec GmbH, DE, Munich[2]	100.0
EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[6]	49.0
EVU Services GmbH, DE, Neumünster[2]	100.0
EWC Windpark Cuxhaven GmbH, DE, Munich[6]	50.0

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ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[6]	50.2
Exporting Commodities International LLC, US, Marlton[5]	49.0
EZV Energie- und Service GmbH & Co. KG Untermain, DE, Wörth am Main[6]	28.9
EZV Energie- und Service Verwaltungsgesellschaft mbH, DE, Wörth am Main[6]	28.8
Falkenbergs Biogas AB, SE, Malmö[2]	65.0
Farma Wiatrowa Barzowice Sp. z o.o., PL, Warsaw[1]	100.0
Fernwärmeversorgung Freising Gesellschaft mit beschränkter Haftung (FFG), DE, Freising[6]	50.0
Fernwärmeversorgung Herne GmbH, DE, Herne[6]	50.0
FIDELIA Holding LLC, US, Wilmington[1]	100.0
Fitas Verwaltung GmbH & Co. Dritte Vermietungs-KG, DE, Pullach i. Isartal[2]	90.0
FITAS Verwaltung GmbH & Co. REGIUM-Objekte KG, DE, Pullach i. Isartal[2]	90.0
Flatlands Wind Farm, LLC, US, Wilmington[2]	100.0
Forest Creek Investco, Inc., US, Wilmington[1]	100.0
Forest Creek WF Holdco, LLC, US, Wilmington[1]	100.0
Forest Creek Wind Farm, LLC, US, Wilmington[1]	100.0
Fortuna Solar, LLC, US, Wilmington[2]	100.0
Freya Bunde-Etzel GmbH & Co. KG, DE, Essen[4]	60.0
Gas-Union GmbH, DE, Frankfurt/Main[5]	23.6
Gasag Berliner Gaswerke Aktiengesellschaft, DE, Berlin[5]	36.9
Gasnetzgesellschaft Laatzen-Süd mbH, DE, Laatzen[6]	49.0
Gasspeicher Lehrte GmbH, DE, Helmstedt[2]	100.0
Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[6]	50.0
Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[6]	50.0
Gasversorgung im Landkreis Gifhorn GmbH (GLG), DE, Wolfsburg[1]	95.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[5]	49.0
Gasversorgung Vorpommern GmbH, DE, Trassenheide[6]	49.0
Gasversorgung Wismar Land GmbH, DE, Lübow[6]	49.0
Gasversorgung Wunsiedel GmbH, DE, Wunsiedel[6]	50.0
Gelsenberg GmbH & Co. KG, DE, Düsseldorf[1, 8]	100.0
Gelsenberg Verwaltungs GmbH, DE, Düsseldorf[2]	100.0
Gelsenwasser Beteiligungs-GmbH, DE, Munich[2]	100.0
Gem. Ges. zur Förderung des E.ON Energy Research Center mbH, DE, Aachen[6]	50.0
Gemeindewerke Gräfelfing GmbH & Co. KG, DE, Gräfelfing[6]	49.0
Gemeindewerke Gräfelfing Verwaltungs GmbH, DE, Gräfelfing[6]	49.0
Gemeindewerke Leck GmbH, DE, Leck[6]	49.9
Gemeindewerke Uetze GmbH, DE, Uetze[6]	49.0
Gemeindewerke Wedemark GmbH, DE, Wedemark[6]	49.0
Gemeindewerke Wietze GmbH, DE, Wietze[6]	49.0
Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG, DE, Emmerthal[1]	100.0
Gemeinschaftskernkraftwerk Grohnde Management GmbH, DE, Emmerthal[2]	83.2
Gemeinschaftskernkraftwerk Isar 2 GmbH, DE, Essenbach[2]	75.0
Gemeinschaftskraftwerk Irsching GmbH, DE, Vohburg[1]	50.2
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung, DE, Kiel[6]	50.0
Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung, DE, Porta Westfalica[1]	66.7
Gemeinschaftskraftwerk Weser GmbH & Co. oHG, DE, Emmerthal[1]	66.7
Geólica Magallón, S.L, ES, Zaragoza[5]	36.2
Geothermie-Wärmegesellschaft Braunau-Simbach mbH, AT, Braunau am Inn[6]	20.0
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH, DE, Kiel[6]	33.3
GfS Gesellschaft für Simulatorschulung mbH, DE, Essen[6]	41.7
GHD Bayernwerk Natur GmbH & Co. KG, DE, Dingolfing[2]	75.0
GLG Netz GmbH, DE, Gifhorn[1]	100.0
GNS Gesellschaft für Nuklear-Service mbH, DE, Essen[6]	48.0
GOLLIPP Bioerdgas GmbH & Co KG, DE, Gollhofen[6]	50.0
GOLLIPP Bioerdgas Verwaltungs GmbH, DE, Nuremberg[6]	50.0
Gondoskodás-Egymásért Alapítvány, HU, Debrecen[2]	100.0
Grandview Wind Farm II, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm III, LLC, US, Wilmington[2]	100.0
Grandview Wind Farm, LLC, US, Wilmington[4]	50.0
Green Sky Energy Limited, GB, Bury[1]	100.0
GrönGas Partner A/S, DK, Hirtshals[6]	50.0
Guyane Conhilac Energies sarl, FR, La Ciotat[2]	100.0
Hamburg Netz GmbH, DE, Hamburg[1]	74.9
Hamburger Hof Versicherungs-Aktiengesellschaft, DE, Düsseldorf[2]	100.0
Hams Hall Management Company Limited, GB, Coventry[6]	46.6
HanseWerk AG, DE, Quickborn[1]	69.0
HanseWerk Natur GmbH, DE, Hamburg[1]	100.0
Harzwasserwerke GmbH, DE, Hildesheim[5]	20.8
Havelstrom Zehdenick GmbH, DE, Zehdenick[6]	49.0
Heizwerk Holzverwertungsgenossenschaft Stiftland eG & Co. oHG, DE, Neualbenreuth[6]	50.0
Helioenergy Electricidad Dos, S.A., ES, Sevilla[4]	50.0
Helioenergy Electricidad Uno, S.A., ES, Sevilla[4]	50.0
HEMAB Elförsäljning AB, SE, Malmö[1]	100.0

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Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
Hermann Seippel-Unterstützungseinrichtung GmbH i. L., DE, Essen[2]	100.0
HEUREKA-Gamma AG, CH, Baden-Dättwil[2]	100.0
HGC Hamburg Gas Consult GmbH, DE, Hamburg[2]	100.0
Hochtemperatur-Kernkraftwerk GmbH (HKG), Gemeinsames europäisches Unternehmen, DE, Hamm[6]	26.0
Högbytorp Kraftvärme AB, SE, Malmö[2]	100.0
Holford Gas Storage Limited, GB, Edinburgh[1]	100.0
Holsteiner Wasser GmbH, DE, Neumünster[6]	50.0
HSN Magdeburg GmbH, DE, Magdeburg[1]	74.9
HUGE Kft., HU, Budapest[2]	100.0
Hydropower Evolutions GmbH, DE, Düsseldorf[2]	100.0
Inadale Wind Farm, LLC, US, Wilmington[1]	100.0
Induboden GmbH, DE, Düsseldorf[2]	100.0
Induboden GmbH & Co. Grundstücksgesellschaft OHG, DE, Düsseldorf[1]	100.0
Induboden GmbH & Co. Industriewerte OHG, DE, Düsseldorf[1]	100.0
Industriekraftwerk Greifswald GmbH, DE, Kassel[6]	49.0
Industry Development Services Limited, GB, Coventry[2]	100.0
InfraServ-Bayernwerk Gendorf GmbH, DE, Burgkirchen/Alz[6]	50.0
Infrastrukturgesellschaft Stadt Nienburg/Weser mbH, DE, Nienburg/Weser[6]	49.9
Intelligent Maintenance Systems Limited, GB, Milton Keynes[6]	25.0
Inversora de Gas Cuyana S.A., AR, Mendoza[6]	24.0
Inversora de Gas del Centro S.A., AR, Buenos Aires[6]	75.0
Inwestycyjna Spólka Energetyczna-IRB Sp. z o.o., PL, Warsaw[6]	50.0
Isam-Immobilien-GmbH, DE, Munich[2]	100.0
Jihočeská plynárenská, a.s., CZ, České Budějovice[2]	100.0
Kalmar Energi Försäljning AB, SE, Kalmar[6]	40.0
Kalmar Energi Holding AB, SE, Kalmar[5]	50.0
Kärnkraftsäkerhet & Utbildning AB, SE, Nyköping[6]	25.0
Kasson Manteca Solar LLC, US, Wilmington[2]	100.0
Kernkraftwerk Brokdorf GmbH & Co. oHG, DE, Hamburg[1]	80.0
Kernkraftwerk Brunsbüttel GmbH & Co. oHG, DE, Hamburg[5]	33.3
Kernkraftwerk Gundremmingen GmbH, DE, Gundremmingen[5]	25.0
Kernkraftwerk Krümmel GmbH & Co. oHG, DE, Hamburg[3]	50.0
Kernkraftwerk Stade GmbH & Co. oHG, DE, Hamburg[1]	66.7
Kernkraftwerke Isar Verwaltungs GmbH, DE, Essenbach[1]	100.0
KGW - Kraftwerk Grenzach-Wyhlen GmbH, DE, Munich[1]	69.8
Klåvbens AB, SE, Olofström[6]	50.0
Kokereigasnetz Ruhr GmbH, DE, Essen[2]	100.0
Kolbäckens Kraft KB, SE, Sundsvall[1]	100.0
Komáromi Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
KommEnergie Erzeugungs GmbH, DE, Eichenau[6]	100.0
KommEnergie GmbH, DE, Eichenau[6]	67.0
Kommunale Energieversorgung GmbH Eisenhüttenstadt, DE, Eisenhüttenstadt[6]	49.0
Kommunale Klimaschutzgesellschaft Landkreis Celle gemeinnützige GmbH, DE, Celle[6]	25.0
Kommunale Klimaschutzgesellschaft Landkreis Uelzen gemeinnützige GmbH, DE, Celle[6]	25.0
Kraftwerk Buer GbR, DE, Gelsenkirchen[6]	50.0
Kraftwerk Burghausen GmbH, DE, Munich[1]	100.0
Kraftwerk Hattorf GmbH, DE, Munich[1]	100.0
Kraftwerk Plattling GmbH, DE, Munich[1]	100.0
Kraftwerk Schkopau Betriebsgesellschaft mbH, DE, Schkopau[1]	55.6
Kraftwerk Schkopau GbR, DE, Schkopau[1]	58.1
Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[6]	41.7
Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, DE, Grünwald[1]	90.0
LandE GmbH, DE, Wolfsburg[1]	69.6
Landwehr Wassertechnik GmbH, DE, Schöppenstedt[2]	100.0
Langerlo N.V., BE, Genk[2]	100.0
Lighting for Staffordshire Holdings Limited, GB, Coventry[1]	60.0
Lighting for Staffordshire Limited, GB, Coventry[1]	100.0
Lillo Energy NV, BE, Beveren/Antwerp[6]	50.0
Limfjordens Bioenergi ApS, DK, Frederiksberg[2]	78.0
Limited Liability Company E.ON IT, RU, Moscow[2]	100.0
London Array Limited, GB, Coventry[6]	30.0
LSW Energie Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
LSW Holding GmbH & Co. KG, DE, Wolfsburg[5]	57.0
LSW Holding Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
LSW Netz Verwaltungs-GmbH, DE, Wolfsburg[6]	57.0
Lubmin-Brandov Gastransport GmbH, DE, Essen[1]	100.0
LUMEN DISTRIBUČNÍ SOUSTAVY, s.r.o., CZ, České Budějovice[6]	34.0
LUMEN SYNERGY s.r.o., CZ, České Budějovice[6]	34.0
Luminar S.r.l., IT, Milan[1]	100.0
Luna Lüneburg GmbH, DE, Lüneburg[6]	49.0
Maasvlakte CCS Project B.V., NL, Rotterdam[6]	50.0
Magic Valley Wind Farm II, LLC, US, Wilmington[2]	100.0
Magicat Holdco, LLC, US, Wilmington[5]	20.0
Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung, DE, Munich[2]	75.0
Maricopa East Solar PV, LLC, US, Wilmington[2]	100.0
Maricopa East Solar PV 2, LLC, US, Wilmington[2]	100.0
Maricopa West Solar PV 2, LLC, US, Wilmington[2]	100.0
Maricopa West Solar PV, LLC, US, Wilmington[2]	100.0

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Name, location	Stake (%)
Matrix Control Solutions Limited, GB, Bury[1]	100.0
MEON Pensions GmbH & Co. KG, DE, Grünwald[1, 8]	100.0
MEON Verwaltungs GmbH, DE, Grünwald[2]	100.0
Metegra GmbH, DE, Laatzen[6]	25.0
Meter Services Limited, GB, Coventry[2]	100.0
Metering Services Limited, GB, Coventry[2]	100.0
METHA-Methanhandel GmbH, DE, Essen[1]	100.0
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. Gamma oHG i.L., DE, Grünwald[2]	90.0
Midlands Electricity Limited, GB, Coventry[2]	100.0
Midlands Gas Limited, GB, Coventry[2]	100.0
Midlands Generation (Overseas) Limited, GB, Coventry[2]	100.0
Midlands Power (UK) Limited, GB, Coventry[2]	100.0
Midlands Power International Limited, GB, Coventry[2]	100.0
Midlands Sales Limited, GB, Coventry[2]	100.0
Mittlere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2]	60.0
Montan GmbH Assekuranz-Makler, DE, Düsseldorf[6]	44.3
Monte Elva Solar S.r.l., IT, Sassari[1]	100.0
Mosoni-Duna Menti Szélerőmű Kft., HU, Győr[2]	100.0
Munnsville Investco, LLC, US, Wilmington[1]	100.0
Munnsville WF Holdco, LLC, US, Wilmington[1]	100.0
Munnsville Wind Farm, LLC, US, Wilmington[1]	100.0
Netz Veltheim GmbH, DE, Porta Westfalica[1]	66.7
Netz- und Windservice (NWS) GmbH, DE, Schwerin[2]	100.0
Netzanschluss Mürow Oberdorf GbR, DE, Bremerhaven[6]	34.8
Netzgesellschaft Bad Münder GmbH & Co. KG, DE, Bad Münder[6]	49.0
Netzgesellschaft Barsinghausen GmbH & Co. KG, DE, Barsinghausen[6]	49.0
Netzgesellschaft Gehrden mbH, DE, Gehrden[6]	49.0
Netzgesellschaft Hemmingen mbH, DE, Hemmingen[6]	49.0
Netzgesellschaft Hildesheimer Land GmbH & Co. KG, DE, Giesen[6]	49.0
Netzgesellschaft Hildesheimer Land Verwaltung GmbH, DE, Giesen[6]	49.0
Netzgesellschaft Hohen Neuendorf Strom GmbH & Co. KG, DE, Hohen Neuendorf[6]	49.0
Netzgesellschaft Ronnenberg GmbH & Co. KG, DE, Ronnenberg[6]	49.0
Netzgesellschaft Schwerin mbH (NGS), DE, Schwerin[6]	40.0
Netzgesellschaft Stuhr/Weyhe mbH, DE, Weyhe[6]	49.0
Netzgesellschaft Syke GmbH, DE, Syke[6]	49.0
Neumünster Netz Beteiligungs-GmbH, DE, Neumünster[1]	50.1
New Cogen Sp. z o.o., PL, Warsaw[2]	96.0
Nord Stream AG, CH, Zug[5]	15.5
NORD-direkt GmbH, DE, Neumünster[2]	100.0
Nordzucker Bioerdgas GmbH & Co. KG, DE, Braunschweig[2]	50.0
Nordzucker Bioerdgas Verwaltung-GmbH, DE, Braunschweig[2]	50.0
Northeolic Montebuño, S.L., ES, Madrid[2]	75.0
NYKCE Nyíregyházi Kombinált Ciklusú Erőmű Kft., HU, Nyíregyháza[2]	100.0
OAO E.ON Russia, RU, Surgut[1]	83.7
OAO Severneftegazprom, RU, Krasnoselkup[5]	25.0
OAO Shaturskaya Upravlyayushchaya Kompaniya, RU, Shatura[1]	51.0
Obere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2]	60.0
Oebisfelder Wasser und Abwasser GmbH, DE, Oebisfelde[6]	49.0
Offshore Trassenplanungs GmbH i. L., DE, Hanover[2]	50.0
Offshore-Windpark Beta Baltic GmbH, DE, Hamburg[2]	100.0
Offshore-Windpark Delta Nordsee GmbH, DE, Hamburg[2]	100.0
OHA B.V., NL, Eindhoven[2]	53.3
OKG AB, SE, Oskarshamn[1]	54.5
OLT Offshore LNG Toscana S.p.A., IT, Milan[4]	48.2
OOO E.ON Connecting Energies, RU, Moscow[1]	100.0
OOO E.ON E&P Russia, RU, Moscow[2]	100.0
OOO Noginskiy Teplovoy Zentr, RU, Moscow[1]	67.0
OOO Teplosbyt, RU, Shatura[1]	100.0
Oskarshamns Energi AB, SE, Oskarshamn[5]	50.0
Östersjöfrakt AB, SE, Örebro[2]	80.0
Östrand Energi AB, SE, Sundsvall[1]	100.0
Panrusgáz Zrt., HU, Budapest[6]	25.0
Panther Creek Solar, LLC, US, Wilmington[2]	100.0
Panther Creek Wind Farm I&II, LLC, US, Wilmington[1]	100.0
Parque Eólico Barlavento, S.A., PT, Lisbon[1]	90.0
Patriot Wind Farm, LLC, US, Wilmington[2]	100.0
Pecém II Participações S.A., BR, Rio de Janeiro[4]	50.0
PEG Infrastruktur AG, CH, Zug[1]	100.0
Peißenberger Kraftwerksgesellschaft mit beschränkter Haftung, DE, Peißenberg[2]	100.0
Peißenberger Wärmegesellschaft mbH, DE, Peißenberg[6]	50.0
Perstorps Fjärrvärme AB, SE, Perstorp[6]	50.0
Pioneer Trail Wind Farm, LLC, US, Wilmington[1]	100.0
Powergen (East Midlands) Investments, GB, Coventry[2]	100.0
Powergen (East Midlands) Loan Notes, GB, Coventry[2]	100.0
Powergen Group Holdings Limited, GB, Coventry[2]	100.0
Powergen Group Investments, GB, Coventry[2]	100.0
Powergen Holdings B.V., NL, Amsterdam[1]	100.0
Powergen Holdings S.à r.l., LU, Luxembourg[2]	100.0
Powergen International Limited, GB, Coventry[1]	100.0

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Name, location	Stake (%)
Powergen Limited, GB, Coventry[1]	100.0
Powergen LS SE, GB, Coventry[1]	100.0
Powergen Luxembourg Holdings S.À R.L., LU, Luxembourg[1]	100.0
Powergen Power No. 1 Limited, GB, Coventry[2]	100.0
Powergen Power No. 2 Limited, GB, Coventry[2]	100.0
Powergen Power No. 3 Limited, GB, Coventry[1]	100.0
Powergen Retail Supply Limited, GB, Coventry[2]	100.0
Powergen Serang Limited, GB, Coventry[2]	100.0
Powergen UK Holding Company Limited, GB, Coventry[2]	100.0
Powergen UK Investments, GB, Coventry[1]	100.0
Powergen UK Limited, GB, Coventry[2]	100.0
Powergen UK Securities, GB, Coventry[2]	100.0
Powergen US Holdings Limited, GB, Coventry[1]	100.0
Powergen US Investments, GB, Coventry[1]	100.0
Powergen US Securities Limited, GB, Coventry[1]	100.0
Powergen Weather Limited, GB, Coventry[2]	100.0
Promec Sp. z o.o., PL, Skarżysko-Kamienna[2]	100.0
PT Power Jawa Barat, ID, Jakarta[6]	40.0
Purena Consult GmbH, DE, Wolfenbüttel[2]	100.0
Purena GmbH, DE, Wolfenbüttel[1]	94.5
Pyron Wind Farm, LLC, US, Wilmington[1]	100.0
R-KOM Regensburger Telekommunikationsgesellschaft mbH & Co. KG, DE, Regensburg[6]	20.0
R-KOM Regensburger Telekommunikations-verwaltungsgesellschaft mbH, DE, Regensburg[6]	20.0
Raab Karcher Electronic Systems Limited, GB, Coventry[2]	100.0
RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[5]	30.0
Rauschbergbahn Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	77.4
RDE Regionale Dienstleistungen Energie GmbH & Co. KG, DE, Würzburg[2]	93.0
RDE Verwaltungs-GmbH, DE, Würzburg[2]	100.0
REGAS GmbH & Co KG, DE, Regensburg[6]	50.0
REGAS Verwaltungs-GmbH, DE, Regensburg[6]	50.0
REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG, DE, Regensburg[6]	35.5
regiolicht GmbH, DE, Helmstedt[2]	100.0
Regnitzstromverwertung Aktiengesellschaft, DE, Erlangen[6]	33.3
REWAG REGENSBURGER ENERGIE- UND WASSER-VERSORGUNG AG & CO KG, DE, Regensburg[5]	35.5
RGE Holding GmbH, DE, Essen[1,8]	100.0
Rhein-Main-Donau Aktiengesellschaft, DE, Munich[1]	77.5
Ringhals AB, SE, Varberg[5]	29.6
RMD Wasserstraßen GmbH, DE, Munich[2]	100.0
RMD-Consult GmbH Wasserbau und Energie, DE, Munich[2]	100.0
Rødsand 2 Offshore Wind Farm AB, SE, Malmö[5]	20.0
Roscoe WF Holdco, LLC, US, Wilmington[1]	100.0
Roscoe Wind Farm, LLC, US, Wilmington[1]	100.0
Rose Rock Wind Farm, LLC, US, Wilmington[2]	100.0
Rosengård Invest AB, SE, Malmö[6]	25.0
RuhrEnergie GmbH, EVR, DE, Gelsenkirchen[1]	100.0
S.C. Salgaz S.A., RO, Salonta[2]	60.1
Safetec Entsorgungs- und Sicherheitstechnik GmbH, DE, Heidelberg[2]	100.0
San Juan de Bargas Eólica, S.L., ES, Zaragoza[5]	47.0
Sand Bluff WF Holdco, LLC, US, Wilmington[1]	100.0
Sand Bluff Wind Farm, LLC, US, Wilmington[1]	100.0
SBI Jordberga AB, SE, Linköping[6]	20.0
Scarweather Sands Limited, GB, Coventry[6]	50.0
SCF2 S.r.l., IT, Rome[2]	100.0
Schleswig-Holstein Netz AG, DE, Quickborn[1]	94.1
Schleswig-Holstein Netz GmbH, DE, Rendsburg[2]	100.0
Schleswig-Holstein Netz Verwaltungs-GmbH, DE, Quickborn[1]	100.0
Sea Power & Fuel S.r.l., IT, Genoa[6]	50.0
SEC A Sp. z o.o., PL, Szczecin[2]	100.0
SEC B Sp. z o.o., PL, Szczecin[2]	100.0
SEC Barlinek Sp. z o.o., PL, Barlinek[2]	100.0
SEC C Sp. z o.o., PL, Szczecin[2]	100.0
SEC D Sp. z o.o., PL, Szczecin[2]	100.0
SEC Dębno Sp. z o.o., PL, Debno[2]	85.0
SEC Energia Sp. z o.o., PL, Szczecin[2]	100.0
SEC F Sp. z o.o., PL, Szczecin[2]	100.0
SEC G Sp. z o.o., PL, Szczecin[2]	100.0
SEC HR Sp. z o.o., PL, Szczecin[2]	100.0
SEC Łobez Sp. z o.o., PL, Łobez[2]	100.0
SEC Myślibórz Sp. z o.o., PL, Myślibórz[2]	89.9
SEC Połczyn-Zdrój Sp. z o.o., PL, Połczyn-Zdrój[2]	100.0
SEC Słubice Sp. z o.o., PL, Słubice[2]	100.0
SEC Strzelce Krajeńskie Sp. z o.o., PL, Strzelce Krajeńskie[2]	100.0
SEE-Sul Energía Eólica, S.A., PT, Lisbon[1]	100.0
SERVICE plus GmbH, DE, Neumünster[2]	100.0
Service Plus Recycling GmbH, DE, Neumünster[2]	100.0
Servicii Energetice pentru Acasa - SEA Complet S.A., RO, Târgu Mureş[6]	48.0
Settlers Trail Wind Farm, LLC, US, Wilmington[1]	100.0
SINERGIA ARAGONESA, S.L., ES, Zaragoza[2]	60.0
ŠKO ENERGO, s.r.o., CZ, Mladá Boleslav[6]	21.0
ŠKO-ENERGO FIN, s.r.o., CZ, Mladá Boleslav[5]	42.5

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Name, location	Stake (%)
Snow Shoe Wind Farm, LLC, US, Wilmington[2]	100.0
SO.MET. ENERGIA S.r.l., IT, Costigliole d'Asti (AT)[1]	60.0
Société des Eaux de l'Est S.A., FR, Saint-Avold (Creutzwald)[6]	25.0
Söderåsens Bioenergi AB, SE, Billesholm[2]	63.3
Solar Energy s.r.o., CZ, Znojmo[6]	25.0
Sollefteåforsens AB, SE, Sundsvall[5]	50.0
Sønderjysk Biogasproduktion I/S, DK, Vojens[6]	50.0
SPIE Energy Solutions Harburg GmbH, DE, Hamburg[6]	35.0
SQC Kvalificeringscentrum AB, SE, Stockholm[6]	33.3
Städtische Betriebswerke Luckenwalde GmbH, DE, Luckenwalde[6]	29.0
Städtische Werke Magdeburg GmbH & Co. KG, DE, Magdeburg[5]	26.7
Städtische Werke Magdeburg Verwaltungs-GmbH, DE, Magdeburg[6]	26.7
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG, DE, Neustadt a. Rbge.[6]	24.9
Stadtnetze Neustadt a. Rbge. Verwaltungs-GmbH, DE, Neustadt a. Rbge.[6]	24.9
Stadtversorgung Pattensen GmbH & Co. KG, DE, Pattensen[6]	49.0
Stadtversorgung Pattensen Verwaltung GmbH, DE, Pattensen[6]	49.0
Stadtwerke Bad Bramstedt GmbH, DE, Bad Bramstedt[6]	36.0
Stadtwerke Barth GmbH, DE, Barth[6]	49.0
Stadtwerke Bergen GmbH, DE, Bergen[6]	49.0
Stadtwerke Blankenburg GmbH, DE, Blankenburg[6]	30.0
Stadtwerke Bogen GmbH, DE, Bogen[6]	41.0
Stadtwerke Brandenburg an der Havel GmbH, DE, Brandenburg an der Havel[5]	36.8
Stadtwerke Bredstedt GmbH, DE, Bredstedt[6]	49.9
Stadtwerke Burgdorf GmbH, DE, Burgdorf[6]	49.0
Stadtwerke Ebermannstadt Versorgungsbetriebe GmbH, DE, Ebermannstadt[6]	25.0
Stadtwerke Eggenfelden GmbH, DE, Eggenfelden[6]	49.0
Stadtwerke Frankfurt (Oder) GmbH, DE, Frankfurt (Oder)[5]	39.0
Stadtwerke Garbsen GmbH, DE, Garbsen[6]	24.9
Stadtwerke Geesthacht GmbH, DE, Geesthacht[6]	24.9
Stadtwerke Husum GmbH, DE, Husum[6]	49.9
Stadtwerke Lübz GmbH, DE, Lübz[6]	25.0
Stadtwerke Ludwigsfelde GmbH, DE, Ludwigsfelde[6]	29.0
Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[6]	24.9
Stadtwerke Niebüll GmbH, DE, Niebüll[6]	49.9
Stadtwerke Parchim GmbH, DE, Parchim[6]	25.2
Stadtwerke Premnitz GmbH, DE, Premnitz[6]	35.0
Stadtwerke Pritzwalk GmbH, DE, Pritzwalk[6]	49.0
Stadtwerke Ribnitz-Damgarten GmbH, DE, Ribnitz-Damgarten[6]	39.0
Stadtwerke Schwedt GmbH, DE, Schwedt/Oder[6]	37.8
Stadtwerke Tornesch GmbH, DE, Tornesch[6]	49.0
Stadtwerke Vilshofen GmbH, DE, Vilshofen[6]	41.0
Stadtwerke Wismar GmbH, DE, Wismar[5]	49.0
Stadtwerke Wittenberge GmbH, DE, Wittenberge[6]	22.7
Stadtwerke Wolfenbüttel GmbH, DE, Wolfenbüttel[6]	26.0
Stadtwerke Wolmirstedt GmbH, DE, Wolmirstedt[6]	49.4
Statco Six Limited, GB, London[2]	100.0
Stella Wind Farm II, LLC, US, Wilmington[2]	100.0
Stella Wind Farm, LLC, US, Wilmington[2]	100.0
Stensjön Kraft AB, SE, Stockholm[5]	50.0
store-x Storage Capacity Exchange GmbH, DE, Leipzig[6]	32.0
Strom Germering GmbH, DE, Germering[2]	90.0
Stromnetzgesellschaft Bad Salzdetfurth-Diekholzen mbH & Co. KG, DE, Bad Salzdetfurth[6]	49.0
Stromversorgung Angermünde GmbH, DE, Angermünde[6]	49.0
Stromversorgung Ruhpolding Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2]	100.0
Stromversorgung Unterschleißheim GmbH & Co. KG, DE, Unterschleißheim[6]	49.0
Stromversorgung Unterschleißheim Verwaltungs GmbH, DE, Unterschleißheim[6]	49.0
strotög GmbH Strom für Töging, DE, Töging am Inn[6]	50.0
SüdWasser GmbH, DE, Erlangen[2]	100.0
Sunshine 1 S.r.l., IT, Milan[2]	100.0
Surschiste, S.A., FR, Mazingarbe[2]	100.0
SV Civitella S.r.l., IT, Milan[1]	100.0
SV VII S.r.l., IT, Milan[1]	100.0
Svensk Kärnbränslehantering AB, SE, Stockholm[6]	34.0
Svenskt Gastekniskt Center AB, SE, Malmö[6]	30.0
SVH Stromversorgung Haar GmbH, DE, Haar[6]	50.0
SVI-Stromversorgung Ismaning GmbH, DE, Ismaning[6]	25.1
SVO Holding GmbH, DE, Celle[1]	50.1
SVO Vertrieb GmbH, DE, Celle[1]	100.0
SWN Stadtwerke Neustadt GmbH, DE, Neustadt bei Coburg[6]	25.1
SWS Energie GmbH, DE, Stralsund[5]	49.0
Szczecińska Energetyka Cieplna Sp. z o.o., PL, Szczecin[1]	66.5
Szombathelyi Erőmű Zrt., HU, Győr[2]	55.0
Szombathelyi Távhőszolgáltató Kft., HU, Szombathely[6]	25.0
Tapolcai Kogenerációs Erőmű Kft., HU, Győr[2]	100.0
Tauerngasleitung GmbH in Liqu., AT, Wals-Siezenheim[6]	46.7
Tech Park Solar, LLC, US, Wilmington[2]	100.0
Teplárna Kyjov, a.s., CZ, Kyjov[2]	67.2

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. · [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]IFRS figures.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
Teplárna Tábor, a.s., CZ, Tábor[1]	51.5
Terminal Alpi Adriatico S.r.l., IT, Rome[1]	100.0
The Power Generation Company Limited, GB, Coventry[2]	100.0
Thermondo GmbH, DE, Berlin[6]	20.1
Thor Cogeneration Limited, GB, Coventry[2]	100.0
Thor Holdings Limited, GB, Coventry[2]	100.0
Three Rocks Solar, LLC, US, Wilmington[2]	100.0
Tierra Blanca Wind Farm, LLC, US, Wilmington[2]	100.0
Tipton Wind, LLC, US, Wilmington[2]	100.0
Tiszántúli Hőtermelő Kft., HU, Debrecen[2]	100.0
TPG Wind Limited, GB, Coventry[6]	50.0
Twin Forks Wind Farm, LLC, US, Wilmington[2]	100.0
TXU Europe (AH Online) Limited, GB, Coventry[2]	100.0
TXU Europe (AHG) Limited, GB, Coventry[2]	100.0
TXU Europe (AHGD) Limited, GB, Coventry[2]	100.0
TXU Europe (AHST) Limited, GB, Coventry[2]	100.0
Überlandwerk Leinetal GmbH, DE, Gronau[6]	48.0
Umspannwerk Miltzow-Mannhagen GbR, DE, Sundhagen[6]	22.2
Umwelt- und Wärmeenergiegesellschaft Strasburg GmbH, DE, Potsdam[2]	100.0
Unión de Generadores de Energía, S.A., ES, Zaragoza[6]	50.0
Union Grid s.r.o., CZ, Prague[6]	34.0
Untere Iller AG, DE, Landshut[2]	60.0
Uranit GmbH, DE, Jülich[4]	50.0
Utilities Center Maasvlakte Leftbank b.v., NL, Rotterdam[1]	100.0
Utility Debt Services Limited, GB, Coventry[2]	100.0
Valencia Solar LLC, US, Tucson[2]	100.0
Valley Center Solar LLC, US, Wilmington[2]	100.0
VEBA Electronics LLC, US, Wilmington[1]	100.0
VEBACOM Holdings LLC, US, Wilmington[2]	100.0
Venado Wind Farm, LLC, US, Wilmington[2]	100.0
Versorgungsbetrieb Waldbüttelbrunn GmbH, DE, Waldbüttelbrunn[6]	49.0
Versorgungsbetriebe Helgoland GmbH, DE, Helgoland[6]	49.0
Versorgungskasse Energie (VVaG), DE, Hanover[1]	79.3
Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[6]	20.0
Veszprém-Kogeneráció Energiatermelő Zrt., HU, Győr[2]	100.0
Vici Wind Farm, LLC, US, Wilmington[2]	100.0
Visioncash, GB, Coventry[1]	100.0
Volkswagen AG Preussen Elektra AG Offene Handelsgesellschaft, DE, Wolfsburg[6]	95.0
Wärme- und Wasserversorgung Friedensstadt GmbH, DE, Trebbin[6]	50.0
Wärmeversorgung Schenefeld GmbH, DE, Schenefeld[6]	40.0
Wärmeversorgungsgesellschaft Königs Wusterhausen mbH, DE, Königs Wusterhausen[2]	50.1
Warmtebedrijf Exploitatie N.V., NL, Rotterdam[6]	50.0
Wasser- und Abwassergesellschaft Vienenburg mbH, DE, Vienenburg[6]	49.0
Wasserkraft Baierbrunn GmbH, DE, Unterschleißheim[2]	100.0
Wasserkraftnutzung im Landkreis Gifhorn GmbH, DE, Müden/Aller[6]	50.0
Wasserversorgung Sarstedt GmbH, DE, Sarstedt[6]	49.0
Wasserwerk Gifhorn Beteiligungs-GmbH, DE, Gifhorn[6]	49.8
Wasserwerk Gifhorn GmbH & Co KG, DE, Gifhorn[6]	49.8
Wasserwirtschafts- und Betriebsgesellschaft Grafenwöhr GmbH, DE, Grafenwöhr[6]	49.0
WEA Schönerlinde GbR mbH Kiepsch & Bosse & Beteiligungsges. e.disnatur mbH, DE, Berlin[2]	70.0
Weißmainkraftwerk Röhrenhof Aktiengesellschaft, DE, Bad Berneck[2]	93.5
West of the Pecos Solar LLC, US, Wilmington[2]	100.0
Western Gas Limited, GB, Coventry[2]	100.0
WEVG Salzgitter GmbH & Co. KG, DE, Salzgitter[1]	50.2
WEVG Verwaltungs GmbH, DE, Salzgitter[2]	50.2
Wildcat Wind Farm II, LLC, US, Wilmington[2]	100.0
Wildcat Wind Farm III, LLC, US, Wilmington[2]	100.0
Windenergie Leinetal GmbH & Co. KG, DE, Freden[6]	22.7
Windenergie Leinetal Verwaltungs GmbH, DE, Freden[6]	24.9
Windenergie Osterburg GmbH & Co. KG, DE, Osterburg (Altmark)[2]	100.0
Windenergie Osterburg Verwaltungs GmbH, DE, Osterburg (Altmark)[2]	100.0
WINDENERGIEPARK WESTKÜSTE GmbH, DE, Kaiser-Wilhelm-Koog[2]	80.0
Windpark Anhalt-Süd (Köthen) OHG, DE, Potsdam[2]	83.3
Windpark Mutzschen OHG, DE, Potsdam[2]	77.8
Windpark Naundorf OHG, DE, Potsdam[2]	66.7
WVM Wärmeversorgung Maßbach GmbH, DE, Maßbach[6]	22.2
Yorkshire Windpower Limited, GB, Coventry[6]	50.0
ZAO Gazprom YRGM Development, RU, Salekhard[1]	25.0
Západoslovenská energetika a.s. (ZSE), SK, Bratislava[5]	49.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. · [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]IFRS figures.

Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2014)

Name, location	Stake (%)
Consolidated investment funds	
E.ON Treasury, DE, Düsseldorf[1]	100.0
EBWFONDS, DE, Düsseldorf[1]	100.0
GRPFONDS, DE, Düsseldorf[1]	100.0
GSBW, DE, Düsseldorf[1]	100.0
HANSEFONDS , DE, Düsseldorf[1]	100.0
OB 1, DE, Düsseldorf[1]	100.0
OB 2, DE, Düsseldorf[1]	100.0
OB 3, DE, Düsseldorf[1]	100.0
OB 4, DE, Düsseldorf[1]	100.0
OB 5, DE, Düsseldorf[1]	100.0
OP-Fonds ONE, DE, Düsseldorf[1]	100.0
TASSILO, DE, Düsseldorf[1]	100.0
VKE-FONDS, DE, Düsseldorf[1]	100.0

Name, location	Stake (%)	Equity € in millions	Earnings € in millions
Other companies in which share investments are held			
BKW Energie AG, CH, Bern[7, 9]	6.6	1,127.7	52.6
Forsmarks Kraftgrupp AB, SE, Östhammar[7]	8.5	38.8	1.1
HEW HofEnergie+Wasser GmbH, DE, Hof[7]	19.9	22.1	0.0
infra fürth gmbh, DE, Fürth[7]	19.9	67.8	0.0
Parnaíba Gás Natural S.A., BR, Rio de Janeiro[7]	9.1	47.8	4.4
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH, DE, Bamberg[7]	10.0	30.1	0.0
Stadtwerke Wertheim GmbH, DE, Wertheim[7]	10.0	20.5	0.0

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. · [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Other companies in which share investments are held. · [8]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [9]IFRS figures.

Supervisory Board (and Information on Other Directorships Held by Supervisory Board Members)

Werner Wenning
Chairman of the Supervisory Board, E.ON SE
Chairman of the Supervisory Board, Bayer AG
- Bayer AG (Chairman)
- Henkel Management AG
- Siemens AG
- Henkel AG & Co. KGaA (Shareholders' Committee)

Prof. Dr. Ulrich Lehner
Member of the Shareholders' Committee, Henkel AG & Co. KGaA
Deputy Chairman of the Supervisory Board, E.ON SE
- Deutsche Telekom AG (Chairman)
- Porsche Automobil Holding SE
- ThyssenKrupp AG (Chairman)
- Henkel AG & Co. KGaA (Shareholders' Committee)
- Novartis AG (Administrative Council, Deputy Chairman, until February 27, 2015)
- Dr. Oetker KG (Advisory Board, until May 15, 2014)

Erhard Ott
Member of National Board, Unified Service Sector Union, ver.di
Deputy Chairman of the Supervisory Board, E.ON SE

Clive Broutta
(since July 1, 2014)
Full-time Representative of the General, Municipal, Boilermakers and Allied Trade Union (GMB)

Thies Hansen
(since January 1, 2015)
Chairman of the Combined Works Council, HanseWerk AG
- HanseWerk AG
- Schlewsig-Holstein Netz AG
- Hamburg Netz GmbH

Baroness Denise Kingsmill, CBE
Attorney at the Supreme Court, member of the House of Lords
- APR Energy plc (Deputy Chairwoman)
- International Consolidated Airlines Group S.A.
- Telecom Italia S.p.A.

Eugen-Gheorghe Luha
Chairman of Gas România (Romanian Federation of Gas Unions), Chairman of Romanian employee representatives
- SEA Complet S.A. (Administrative Council)

René Obermann
Chairman of the Board of Management, Ziggo N.V.
(until November 12, 2014)
Partner at Warburg Pincus LLG
(since January 1, 2015)
- ThyssenKrupp AG
- Spotify Technology S.A.

Unless otherwise indicated, information is as of December 31, 2014.
- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Klaus Dieter Raschke
(until December 31, 2014)
Commercial Clerk, E.ON Kernkraft GmbH
- Versorgungskasse Energie VVaG

Eberhard Schomburg
Chairman of the E.ON SE Works Council and E.ON European Works Council
- E.ON Kraftwerke GmbH
- E.ON Generation GmbH (Deputy Chairman)

Fred Schulz
First Deputy Chairman of the E.ON European Works Council, Chairman of the Combined Works Council, E.DIS AG
- E.DIS AG
- Szczecińska Energetyka Cieplna Sp. z o.o.

Dr. Karen de Segundo
Attorney
- British American Tobacco plc (Board of Directors)
- Lonmin plc (Board of Directors, until January 29, 2015)
- Pöyry Oyj (Board of Directors)

Dr. Theo Siegert
Managing Partner, de Haen-Carstanjen & Söhne
- Henkel AG & Co. KGaA
- Merck KGaA
- DKSH Holding Ltd. (Administrative Council)
- E. Merck KG (Shareholders' Committee)

Willem Vis
(until June 30, 2014)
Director of Training (Generation), E.ON Benelux N.V.

Supervisory Board Committees

Executive Committee
Werner Wenning, Chairman
Erhard Ott, Deputy Chairman
Prof. Dr. Ulrich Lehner, Deputy Chairman
Eberhard Schomburg

Audit and Risk Committee
Dr. Theo Siegert, Chairman
Klaus Dieter Raschke, Deputy Chairman (until December 31, 2014)
Eberhard Schomburg (Deputy Chairman, since January 1, 2015)
Fred Schulz (since January 1, 2015)
Werner Wenning

Finance and Investment Committee
Werner Wenning, Chairman
Thies Hansen, Deputy Chairman (since January 1, 2015)
Fred Schulz (until December 31, 2014), Deputy Chairman (from March 11 until December 31, 2014)
Eugen-Gheorghe Luha (since July 2, 2014)
Dr. Karen de Segundo
Willem Vis (until June 30, 2014)

Nomination Committee
Werner Wenning, Chairman
Prof. Dr. Ulrich Lehner, Deputy Chairman
Dr. Karen de Segundo

Unless otherwise indicated, information is as of December 31, 2014.
- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

Board of Management (and Information on Other Directorships Held by Board of Management Members)

Dr. Johannes Teyssen
Born 1959 in Hildesheim,
Chairman and Chief Executive Officer since 2010
Member of the Board of Management since 2004
Group Executive Human Resources, Investor Relations, Corporate Communications, Group Audit, Corporate Strategy & Development
- Deutsche Bank AG
- Salzgitter AG

Dr.-Ing. Leonhard Birnbaum
Born 1967 in Ludwigshafen,
Member of the Board of Management since 2013
Global Commodities, Distributed Generation, Engineering & Major Projects, Commercial Operations, Political Affairs & Regulatory, Technology & Innovation, Consulting
- E.ON Global Commodities SE[1] (Chairman)
- E.ON Technologies GmbH[1] (Chairman)
- Georgsmarienhütte Holding GmbH (Second Deputy Chairman)

Jørgen Kildahl
Born 1963 in Bærum, Norway,
Member of the Board of Management since 2010
Brazil, Russia, Turkey, Exploration & Production, Health/Safety & Environment, Corporate Incident & Crisis Management, Procurement & Real Estate Management, Sustainability
- E.ON Global Commodities SE[1]
- ENEVA S.A. (Chairman)
- OAO E.ON Russia[2] (Chairman)

Dr. Bernhard Reutersberg
Born 1954 in Düsseldorf,
Member of the Board of Management since 2010
Coordination of Regional Units, Distribution and Retail Businesses, Group-wide program E.ON 2.0
- E.ON Czech Holding AG[1] (Chairman)
- E.ON Benelux Holding B.V.[2] (Chairman)
- E.ON España S.L.[2]
- E.ON France S.A.S.[2] (Chairman)
- E.ON Hungária Zrt.[2] (Chairman)
- E.ON Italia S.p.A.[2]
- E.ON Sverige AB[2] (Chairman)
- Nord Stream AG
- OAO E.ON Russia[2]

Klaus Schäfer
Born 1967 in Regensburg,
Member of the Board of Management since 2013
Finance, Mergers & Acquisitions, Accounting & Controlling, Legal Affairs & Compliance, Taxes, IT & Business Services
- E.ON Business Services GmbH[1] (Chairman)

Mike Winkel
Born 1970 in Neubrandenburg,
Member of the Board of Management since 2013
Generation, Renewables, Human Resources, Operational Efficiency
- E.ON Generation GmbH[1] (Chairman)
- E.ON Sverige AB[2]
- OAO E.ON Russia[2]

- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2, of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

[1]Exempted E.ON Group directorship. [2]Other E.ON Group directorship.

Explanatory Report of the Board of Management on the Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, as well as Section 289, Paragraph 5, of the German Commercial Code

The Board of Management has read and discussed the disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Combined Group Management Report for the year ended December 31, 2014, and issues the following declaration regarding these disclosures:

The disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Company's Combined Group Management Report are correct and conform with the Board of Management's knowledge. The Board of Management therefore confines itself to the following statements:

Beyond the disclosures contained in the Combined Group Management Report (and legal restrictions such as the exclusion of voting rights pursuant to Section 136 of the German Stock Corporation Act), the Board of Management is not aware of any restrictions regarding voting rights or the transfer of shares. The Company is not aware of shareholdings in the Company's share capital exceeding ten out of one hundred voting rights, so that information on such shareholdings is not necessary. There is no need to describe shares with special control rights (since no such shares have been issued) or special restrictions on the control rights of employees' shareholdings (since employees who hold shares in the Company's share capital exercise their control rights directly, just like other shareholders).

To the extent that the Company has agreed to settlement payments for Board of Management members in the case of a change of control, the purpose of such agreements is to preserve the independence of Board of Management members.

The Board of Management also read and discussed the disclosures in the Combined Group Management Report pursuant to Section 289, Paragraph 5, of the German Commercial Code. The disclosures contained in the Combined Group Management Report on the key features of our internal control and risk management system for accounting processes are complete and comprehensive.

Internal controls are an integral part of our accounting processes. Guidelines define uniform financial-reporting documentation requirements and procedures for the entire E.ON Group. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

Düsseldorf, February 27, 2015

E.ON SE
Board of Management

Teyssen	Birnbaum	Kildahl
Reutersberg	Schäfer	Winkel

Summary of Financial Highlights[1] € in millions	2010	2011	2012	2013	2014
Sales and earnings					
Sales	92,863	112,954	132,093	119,615	111,556
EBITDA[2]	13,346	9,293	10,771	9,191	8,337
EBIT[2]	9,454	5,438	7,012	5,642	4,664
Net income/Net loss	6,281	-1,861	2,613	2,459	-3,130
Net income/Net loss attributable to shareholders of E.ON SE	5,853	-2,219	2,189	2,091	-3,160
Value measures					
ROACE/through 2009 ROCE (%)	14.4	8.4	11.1	9.2	8.5
Pretax cost of capital (%)	8.3	8.3	7.7	7.5	7.4
Value added[3]	4,000	90	2,139	1,031	609
Asset structure					
Non-current assets	106,657	102,221	96,563	95,580	83,065
Current assets	46,224	50,651	43,863	36,750	42,625
Total assets	152,881	152,872	140,426	132,330	125,690
Capital structure					
Equity	45,585	39,613	38,820	36,638	26,713
Capital stock	*2,001*	*2,001*	*2,001*	*2,001*	*2,001*
Minority interests without controlling influence	*3,932*	*3,876*	*3,862*	*2,915*	*2,128*
Non-current liabilities	69,580	67,129	65,027	63,179	63,335
Provisions	*23,631*	*25,672*	*28,601*	*28,153*	*31,376*
Financial liabilities	*28,880*	*24,029*	*21,937*	*18,051*	*15,784*
Other liabilities and other	*17,069*	*17,428*	*14,489*	*16,975*	*16,175*
Current liabilities	37,716	46,130	36,579	32,513	35,642
Provisions	*4,950*	*4,985*	*4,049*	*4,353*	*4,120*
Financial liabilities	*3,611*	*5,885*	*4,007*	*4,673*	*3,883*
Other liabilities and other	*31,527*	*35,260*	*28,523*	*23,487*	*27,639*
Total assets and liabilities	152,881	152,872	140,426	132,330	125,690
Cash flow and investments					
Cash provided by operating activities of continuing operations	10,614	6,610	8,808	6,260	6,253
Cash-effective investments	8,286	6,524	6,997	7,992	4,633
Financial ratios					
Equity ratio (%)	30	26	28	28	21
Long-term capital as a percentage of non-current assets (%)	108	104	108	104	108
Economic net debt (at year-end)	37,821	36,520	35,845	32,218	33,394
Debt factor[4]	2.8	3.9	3.3	3.5	4.0
Cash provided by operating activities of continuing operations as a percentage of sales	11.4	5.9	6.7	5.2	5.6
Stock					
Earnings per share attributable to shareholders of E.ON SE (€)	3.07	-1.16	1.15	1.10	-1.64
Equity[5] per share (€)	21.86	18.76	18.33	17.68	12.72
Twelve-month high per share (€)	29.36	25.11	19.52	14.71	15.46
Twelve-month low per share (€)	21.13	12.88	13.80	11.94	12.56
Year-end closing price per share[6] (€)	22.94	16.67	14.09	13.42	14.20
Dividend per share[7] (€)	1.50	1.00	1.10	0.60	0.50
Dividend payout	2,858	1,905	2,097	1,145	966
Market capitalization[6, 8] (€ in billions)	43.7	31.8	26.9	25.6	27.4
E.ON SE long-term ratings					
Moody's	A2	A3	A3	A3	A3
Standard & Poor's	A	A	A-	A-	A-
Employees					
Employees at year-end	85,105	78,889	72,083	61,327	58,503

[1]Adjusted for discontinued operations and, in the case of 2013 and 2014, for the application of IFRS 10 and 11 and IAS 32. · [2]Adjusted for extraordinary effects. · [3]The figure is as of the balance-sheet date. · [4]Ratio between economic net debt and EBITDA. · [5]Attributable to shareholders of E.ON SE. · [6]At the end of December. · [7]For the respective financial year; the 2014 figure is management's proposed dividend. · [8]Based on shares outstanding.

Attributable Generating Capacity

December 31	Generation		Renewables		Germany		Other EU Countries		Non-EU Countries		E.ON Group	
MW	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Nuclear	5,403	5,403	–	–	–	–	–	–	–	–	5,403	5,403
Lignite	500	500	–	–	–	–	–	–	–	–	500	500
Hard coal	4,976	5,279	–	–	–	–	–	–	–	–	4,976	5,279
Natural gas	3,414	3,637	–	–	473	484	–	–	–	–	3,887	4,121
Oil	1,003	1,003	–	–	102	101	–	–	–	–	1,105	1,104
Hydro	–	–	1,904	1,904	21	7	–	–	–	–	1,925	1,911
Wind	–	–	174	168	5	–	–	–	–	–	179	168
Other	–	–	–	–	31	32	–	–	–	–	31	32
Germany	**15,296**	**15,822**	**2,078**	**2,072**	**632**	**624**	**–**	**–**	**–**	**–**	**18,006**	**18,518**
Nuclear	2,799	2,799	–	–	–	–	–	–	–	–	2,799	2,799
Lignite	–	–	–	–	–	–	30	29	1,263	1,263	1,293	1,292
Hard coal	6,273	6,993	–	–	–	–	–	–	–	–	6,273	6,993
Natural gas	12,172	12,590	–	–	–	–	1,102	1,353	7,050	7,050	20,324	20,993
Oil	1,714	1,727	–	–	–	–	–	–	–	–	1,714	1,727
Hydro	–	–	3,018	3,028	–	–	32	31	–	–	3,049	3,059
Wind	–	–	4,216	4,558	–	–	2	1	–	–	4,218	4,559
Other	812	–	130	916	–	–	253	234	–	–	1,195	1,150
Outside Germany	**23,770**	**24,109**	**7,363**	**8,502**	**–**	**–**	**1,419**	**1,648**	**8,313**	**8,313**	**40,865**	**42,572**
E.ON Group	**39,066**	**39,931**	**9,441**	**10,574**	**632**	**624**	**1,419**	**1,648**	**8,313**	**8,313**	**58,871**	**61,090**

Fully Consolidated Generating Capacity

December 31	Generation		Renewables		Germany		Other EU Countries		Non-EU Countries		E.ON Group	
MW	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Nuclear	5,746	5,746	–	–	–	–	–	–	–	–	5,746	5,746
Lignite	900	900	–	–	–	–	–	–	–	–	900	900
Hard coal	4,916	5,219	–	–	–	–	–	–	–	–	4,916	5,219
Natural gas	3,875	4,210	–	–	85	81	–	–	–	–	3,960	4,291
Oil	1,003	1,003	–	–	102	101	–	–	–	–	1,105	1,104
Hydro	–	–	1,985	2,072	7	10	–	–	–	–	1,992	2,082
Wind	–	–	213	203	–	–	–	–	–	–	213	203
Other	–	–	–	–	32	32	–	–	–	–	32	32
Germany	**16,440**	**17,078**	**2,198**	**2,275**	**226**	**224**	**–**	**–**	**–**	**–**	**18,864**	**19,577**
Nuclear	2,511	2,511	–	–	–	–	–	–	–	–	2,511	2,511
Lignite	–	–	–	–	–	–	20	19	1,509	1,509	1,529	1,528
Hard coal	6,273	6,993	–	–	–	–	–	–	–	–	6,273	6,993
Natural gas	12,322	12,333	–	–	–	–	931	1,323	8,419	8,419	21,672	22,075
Oil	1,714	2,028	–	–	–	–	–	–	–	–	1,714	2,028
Hydro	–	–	2,824	2,808	–	–	33	31	–	–	2,856	2,839
Wind	–	–	3,610	4,179	–	–	–	–	–	–	3,610	4,179
Other	812	–	57	844	–	–	253	234	–	–	1,122	1,078
Outside Germany	**23,632**	**23,865**	**6,490**	**7,831**	**–**	**–**	**1,237**	**1,608**	**9,928**	**9,928**	**41,287**	**43,232**
E.ON Group	**40,072**	**40,943**	**8,688**	**10,106**	**226**	**224**	**1,237**	**1,608**	**9,928**	**9,928**	**60,151**	**62,809**

Owned Generation by Energy Source	Generation		Renewables		Germany		Other EU Countries		Non-EU Countries		E.ON Group	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Nuclear	43.1	44.4	–	–	–	–	–	–	–	–	43.1	44.4
Lignite	2.9	4.3	–	–	–	–	–	–	–	–	2.9	4.3
Hard coal	17.9	26.5	–	–	–	–	–	–	–	–	17.9	26.5
Natural gas, oil	1.1	2.6	–	–	0.2	0.5	–	–	–	–	1.3	3.1
Hydro	–	–	4.7	6.1	–	–	–	–	–	–	4.7	6.1
Wind	–	–	0.3	0.3	–	–	–	–	–	–	0.3	0.3
Other	–	–	–	–	0.3	0.8	–	–	–	–	0.3	0.8
Germany	**65.0**	**77.8**	**5.0**	**6.4**	**0.5**	**1.3**	**–**	**–**	**–**	**–**	**70.5**	**85.5**
Nuclear	12.3	11.7	–	–	–	–	–	–	–	–	12.3	11.7
Lignite	–	–	–	–	–	–	0.2	0.2	9.0	10.0	9.2	10.2
Hard coal	29.5	36.2	–	–	–	–	–	–	–	–	29.5	36.2
Natural gas, oil	16.9	21.0	–	–	–	–	2.7	4.0	50.2	53.0	69.8	78.0
Hydro	–	–	9.6	9.7	–	–	–	0.1	–	–	9.6	9.8
Wind	–	–	11.9	12.1	–	–	–	–	–	–	11.9	12.1
Other	1.8	–	–	1.0	–	–	0.6	0.7	–	–	2.4	1.7
Outside Germany	**60.5**	**68.9**	**21.5**	**22.8**	**–**	**–**	**3.5**	**5.0**	**59.2**	**63.0**	**144.7**	**159.7**
Total	**125.5**	**146.7**	**26.5**	**29.2**	**0.5**	**1.3**	**3.5**	**5.0**	**59.2**	**63.0**	**215.2**	**245.2**
Percentages												
Nuclear	34	30	–	–	–	–	–	–	–	–	20	18
Lignite	2	3	–	–	–	–	–	–	–	–	1	2
Hard coal	14	18	–	–	–	–	–	–	–	–	8	11
Natural gas, oil	1	2	–	–	40	38	–	–	–	–	1	1
Hydro	–	–	18	21	–	–	–	–	–	–	2	2
Wind	–	–	1	1	–	–	–	–	–	–	–	–
Other	–	–	–	–	60	62	–	–	–	–	–	–
Germany	**52**	**53**	**19**	**22**	**100**	**100**	**–**	**–**	**–**	**–**	**33**	**35**
Nuclear	10	8	–	–	–	–	–	–	–	–	6	5
Lignite	–	–	–	–	–	–	6	4	15	16	4	4
Hard coal	24	25	–	–	–	–	–	–	–	–	14	15
Natural gas, oil	13	14	–	–	–	–	77	80	85	84	32	32
Hydro	–	–	36	33	–	–	–	2	–	–	4	4
Wind	–	–	45	41	–	–	–	–	–	–	6	5
Other	1	–	–	3	–	–	17	14	–	–	1	1
Outside Germany	**48**	**47**	**81**	**78**	**–**	**–**	**100**	**100**	**100**	**100**	**67**	**65**
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Power Procurement[1]

	Generation		Renewables		Global Commodities		Germany		Other EU Countries		Non-EU Countries		Consolidation		E.ON Group	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Owned generation	125.5	146.7	26.5	29.2	–	–	0.5	1.3	3.5	5.0	59.2	63.0	–	–	215.2	245.2
Purchases	28.0	28.3	5.5	6.3	597.2	540.3	135.2	162.2	128.8	128.6	4.8	4.5	-362.6	-400.9	536.9	469.3
Jointly owned power plants	*13.2*	*12.7*	*0.8*	*1.1*	–	–	–	*0.2*	*0.2*	–	–	–	–	–	*14.2*	*14.0*
Global Commodities/outside sources	*14.8*	*15.6*	*4.7*	*5.2*	*597.2*	*540.3*	*135.2*	*162.0*	*128.6*	*128.6*	*4.8*	*4.5*	*-362.6*	*-400.9*	*522.7*	*455.3*
Total	**153.5**	**175.0**	**32.0**	**35.5**	**597.2**	**540.3**	**135.7**	**163.5**	**132.3**	**133.6**	**64.0**	**67.5**	**-362.6**	**-400.9**	**752.1**	**714.5**
Station use, line loss, etc.	-1.6	-1.8	-0.9	-1.0	–	–	-3.9	-4.5	-7.8	-8.1	-2.0	-2.2	–	–	-16.2	-17.6
Power sales	**151.9**	**173.2**	**31.1**	**34.5**	**597.2**	**540.3**	**131.8**	**159.0**	**124.5**	**125.5**	**62.0**	**65.3**	**-362.6**	**-400.9**	**735.9**	**696.9**

[1]Adjusted for discontinued operations.

Power Sales[1]

	Generation		Renewables		Global Commodities		Germany		Other EU Countries		Non-EU Countries		Consolidation		E.ON Group	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Residential and SME	–	–	–	0.2	–	–	19.1	21.6	42.9	47.3	–	–	–	–	62.0	69.1
I&C	3.6	3.5	–	–	–	–	21.0	25.1	65.8	64.9	–	–	-0.2	-0.4	90.2	93.1
Sales partners	28.4	32.8	5.6	8.0	–	–	61.3	75.5	0.1	0.6	–	–	-4.1	-4.4	91.3	112.5
Customer segments	**32.0**	**36.3**	**5.6**	**8.2**	**–**	**–**	**101.4**	**122.2**	**108.8**	**112.8**	**–**	**–**	**-4.3**	**-4.8**	**243.5**	**274.7**
Wholesale market/ Global Commodities	119.9	136.9	25.5	26.3	597.2	540.3	30.4	36.8	15.6	12.7	62.0	65.3	-358.2	-396.1	492.4	422.2
Total	**151.9**	**173.2**	**31.1**	**34.5**	**597.2**	**540.3**	**131.8**	**159.0**	**124.4**	**125.5**	**62.0**	**65.3**	**-362.5**	**-400.9**	**735.9**	**696.9**

[1]Adjusted for discontinued operations.

Gas Sales[1]

	Global Commodities		Germany		Other EU Countries		Consolidation		E.ON Group	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Residential and SME	–	–	22.2	29.2	71.1	89.0	–	–	93.3	118.2
I&C	–	–	82.5	109.0	35.4	42.5	–	–	117.9	151.5
Sales partners	–	–	234.7	333.4	0.5	–	–	–	235.2	333.4
Customer segments	**–**	**–**	**339.4**	**471.6**	**107.0**	**131.5**	**–**	**–**	**446.4**	**603.1**
Wholesale market/Global Commodities[2]	1,216.9	1,252.9	–	–	14.7	16.8	-517.0	-653.5	714.6	616.2
Total	**1,216.9**	**1,252.9**	**339.4**	**471.6**	**121.7**	**148.3**	**-517.0**	**-653.5**	**1,161.0**	**1,219.3**

[1]Adjusted for discontinued operations.
[2]E.ON Global Commodities, including the former E.ON Ruhrgas; prior-year figures were adjusted accordingly.

Actuarial gains and losses
The actuarial calculation of provisions for pensions is based on projections of a number of variables, such as projected future salaries and pensions. An actuarial gain or loss is recorded when the actual numbers turn out to be different from the projections.

Beta factor
Indicator of a stock's relative risk. A beta coefficient of more than one indicates that a stock has a higher risk than the overall market; a beta coefficient of less than one indicates that it has a lower risk.

Bond
Debt instrument that gives the holder the right to repayment of the bond's face value plus an interest payment. Bonds are issued by public entities, credit institutions, and companies and are sold through banks. They are a form of medium- and long-term debt financing.

Capital employed
Represents the interest-bearing capital tied up in the E.ON Group. It is equal to a segment's non-current and current operating assets less the amount of non-interest-bearing available capital. Other equity interests are included at their acquisition cost, not their fair value.

Capital stock
The aggregate face value of all shares of stock issued by a company; entered as a liability in the company's balance sheet.

Cash flow statement
Calculation and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing, and financing activities.

Cash provided by operating activities
Cash provided by, or used for, operating activities of continuing operations.

Commercial paper ("CP")
Unsecured, short-term debt instruments issued by commercial firms and financial institutions. CPs are usually quoted on a discounted basis, with repayment at par value.

Consolidation
Accounting approach in which a parent company and its affiliates are presented as if they formed a single legal entity. All intracompany income and expenses, intracompany accounts payable and receivable, and other intracompany transactions are offset against each other. Share investments in affiliates are offset against their capital stock, as are all intracompany credits and debts, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items in the annual financial statements yields the consolidated balance sheets and the consolidated statements of income.

Contractual trust arrangement ("CTA")
Model for financing pension obligations under which company assets are converted to assets of a pension plan administered by an independent trust that is legally separate from the company.

Controllable costs
Our key figure for monitoring operational costs that management can meaningfully influence: the controllable portions of the cost of materials (in particular, maintenance costs and the costs of goods and services), certain portions of other operating income and expenses, and most personnel costs.

Cost of capital
Weighted average of the costs of debt and equity financing (weighted-average cost of capital: "WACC"). The cost of equity is the return expected by an investor in a given stock. The cost of debt is based on the cost of corporate debt and bonds. The interest on corporate debt is tax-deductible (referred to as the tax shield on corporate debt).

Credit default swap ("CDS")
A credit derivative used to hedge the default risk on loans, bonds, and other debt instruments.

Debt factor
Ratio between economic net debt and EBITDA. Serves as a metric for managing E.ON's capital structure.

Debt issuance program
Contractual framework and standard documentation for the issuance of bonds.

Discontinued operations
Businesses or parts of a business that are planned for divestment or have already been divested. They are subject to special disclosure rules.

EBIT
Earnings before interest and taxes. The EBIT figure used by E.ON is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature (see Other non-operating earnings).

EBITDA
Earnings before interest, taxes, depreciation, and amortization. It equals the EBIT figure used by E.ON before depreciation and amortization. It is our key earnings figure for purposes of internal management control and as an indicator of our businesses' long-term earnings power.

Economic investments
Cash-effective capital investments plus debt acquired and asset swaps.

Economic net debt
Key figure that supplements net financial position with pension obligations and asset retirement obligations (less prepayments to the Swedish nuclear fund).

Equity method
Method for valuing shareholdings in associated companies whose assets and liabilities are not fully consolidated. The proportional share of the company's annual net income (or loss) is reflected in the shareholding's book value. This change is usually shown in the owning company's income statement.

Fair value
The price at which assets, debts, and derivatives pass from a willing seller to a willing buyer, each having access to all the relevant facts and acting freely.

Financial derivative
Contractual agreement based on an underlying value (reference interest rate, securities prices, commodity prices) and a nominal amount (foreign currency amount, a certain number of stock shares).

Goodwill
The value of a subsidiary as disclosed in the parent company's consolidated financial statements resulting from the consolidation of capital (after the elimination of hidden reserves and liabilities). It is calculated by offsetting the carrying amount of the parent company's investment in the subsidiary against the parent company's portion of the subsidiary's equity.

Impairment test
Periodic comparison of an asset's book value with its fair value. A company must record an impairment charge if it determines that an asset's fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

International Financial Reporting Standards ("IFRS")
Under regulations passed by the European Parliament and European Council, capital-market-oriented companies in the EU must apply IFRS.

Net financial position
Difference between total financial assets (cash and non-current securities) and total financial liabilities (debts to financial institutions, third parties, and associated companies, including effects from currency translation).

Option
The right, not the obligation, to buy or sell an underlying asset (such as a security or currency) at a specific date at a predetermined price from or to a counterparty or seller. Buy options are referred to as calls, sell options as puts.

Other non-operating earnings
Income and expenses that are unusual or infrequent, such as book gains or book losses from significant disposals as well as restructuring expenses (see EBIT).

Profit at Risk ("PaR")
Risk measure that indicates, with a certain degree of confidence (for example, 95 percent), that changes in market prices will not cause a profit margin to fall below expectations during the holding period, depending on market liquidity. For E.ON's business, the main market prices are those for power, gas, coal, and carbon.

Purchase price allocation
In a business combination accounted for as a purchase, the values at which the acquired company's assets and liabilities are recorded in the acquiring company's balance sheet.

Rating
Standardized performance categories for an issuer's short- and long-term debt instruments based on the probability of interest payment and full repayment. Ratings provide investors and creditors with the transparency they need to compare the default risk of various financial investments.

Return on equity
The return earned on an equity investment (in this case, E.ON stock), calculated after corporate taxes but before an investor's individual income taxes.

ROACE
Acronym for return on average capital employed. A key indicator for monitoring the performance of E.ON's business, ROACE is the ratio between E.ON's EBIT and average capital employed. Average capital employed represents the average interest-bearing capital tied up in the E.ON Group.

ROCE
Acronym for return on capital employed. ROCE is the ratio between E.ON's EBIT and capital employed. Capital employed represents the interest-bearing capital tied up in the E.ON Group.

Syndicated line of credit
Credit facility extended by two or more banks that is good for a stated period of time.

Underlying net income
An earnings figure after interest income, income taxes, and non-controlling interests that has been adjusted to exclude certain extraordinary effects. The adjustments include effects from the marking to market of derivatives, book gains and book losses on disposals, restructuring expenses, and other non-operating income and expenses of a non-recurring or rare nature (after taxes and non-controlling interests). Underlying net income also excludes income/loss from discontinued operations, net.

Value added
Key measure of E.ON's financial performance based on residual wealth calculated by deducting the cost of capital (debt and equity) from operating profit. It is equivalent to the return spread (ROACE minus the cost of capital) multiplied by average capital employed, which represents the average interest-bearing capital tied up in the E.ON Group.

Value at risk ("VaR")
Risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99 percent) over a certain period of time (for example, one day). Due to the correlation of individual transactions, the risk faced by a portfolio is lower than the sum of the risks of the individual investments it contains.

Working capital
The difference between a company's current operating assets and current operating liabilities.

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Financial Calendar

May 7, 2015	2015 Annual Shareholders Meeting
May 7, 2015	Interim Report: January - March 2015
August 12, 2015	Interim Report: January - June 2015
November 11, 2015	Interim Report: January - September 2015
March 9, 2016	Release of the 2015 Annual Report
May 11, 2016	Interim Report: January - March 2016
June 8, 2016	2016 Annual Shareholders Meeting
August 10, 2016	Interim Report: January - June 2016
November 9, 2016	Interim Report: January - September 2016